

Financial Statements and  
Independent Auditor's Report

[Howard County Junior College District](#)

August 31, 2019 and 2018



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Howard County Junior College District  
 ORGANIZATIONAL DATA  
 For the Fiscal Year 2019

Board of Trustees

<u>Officers</u>	<u>Board Title</u>
Dr. John E. Freeman	Chairman
Mr. Maxwell Barr	Vice Chairman
Mr. Adrian Calvio	Secretary

  

<u>Members</u>	<u>Address</u>	<u>Term Expires</u>
Dr. John E. Freeman	Big Spring, Texas	May, 2020
Mr. Maxwell Barr	Coahoma, Texas	May, 2024
Mr. Adrian Calvio	Big Spring, Texas	May, 2024
Mrs. Patricia Bennett	Big Spring, Texas	May, 2020
Mr. Michael L. Flores	Big Spring, Texas	May, 2022
Ms. Emma Krabill	Big Spring, Texas	May, 2020
Mr. Mark Morgan	Big Spring, Texas	May, 2022

Principal Administrative Officers and the Business and Financial Staff

<u>Key Officers</u>	<u>Title</u>
Dr. Cheryl T. Sparks	President
Dr. Amy Burchett	Vice President Academic and Student Affairs
Ms. Brenda Claxton	District Chief Fiscal Officer/Controller
Mr. Steve Smith	District Chief Business Officer/Internal Auditor
Mr. Terry Hansen	District Chief Athletics and Special Projects Officer
Ms. Erin Mackenzie	Administrative Dean Instruction & Student Services, Big Spring Area
Ms. Pam Callan	Administrative Dean Instruction & Student Services, San Angelo
Mr. Fabian Serrano	District Chief Operations and Safety/Security Officer
Ms. Jamie Rainey	Workforce & Community Development Officer, San Angelo
Mr. Danny Campbell	Co-Administrative Deans Instruction & Student Services, SWCID
Ms. Nancy Bonura	Co-Administrative Deans Instruction & Student Services, SWCID



## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
Howard County Junior College District  
Big Spring, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Howard County Junior College District (the District) as of and for the years ended August 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of August 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 18, the schedule of employer's proportionate share of net pension liability on page 52, the schedule of District contributions for pensions on page 54, the schedule of employer's proportionate share of net OPEB liability on page 56, and the schedule of District contributions for OPEB on page 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and the schedule of expenditures of State of Texas awards are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Texas Uniform Grant Management Standards, and are also not a required part of the basic financial statements.

The supplementary schedules, the schedule of expenditures of federal awards and the schedule of expenditures of State of Texas awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules, the schedule of expenditures of federal awards and the schedule of

expenditures of State of Texas awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Logan, Thomas + Johnson, LLC*

Broomfield, Colorado  
February 19, 2020

Howard County Junior College District  
Management's Discussion and Analysis  
August 31, 2019 and 2018

As management of the Howard County Junior College District, we offer this narrative overview and analysis of the college district's financial activities for the fiscal years ended August 31, 2019 and 2018. Since this management's discussion and analysis focuses on current activities, resulting changes, and currently known facts, we encourage readers to consider it in conjunction with the college district's financial statements and related notes.

Financial Highlights

FYE 2019

The college district's net position was \$24.4 million and \$24.8 million as of August 31, 2019 and 2018, respectively. This represents a decrease of \$395 thousand and a decrease of \$20.3 million in 2019 and 2018, respectively.

The unrestricted net position are the funds available for spending at the college district's discretion. The unrestricted net position was negative \$12.2 million and negative \$11 million as of August 31, 2019 and 2018, respectively. The college district is required to report its share of pension plan and other post-employment benefits plan (OPEB) liabilities in its statements of net position. These plans are state-wide benefit plans. Those liabilities were \$27.6 million and \$23.4 million as of August 31, 2019 and 2018, respectively. The college district's unrestricted net position, excluding the benefit plan liabilities, would have been \$15.4 million and \$12.4 million as of August 31, 2019 and 2018, respectively, representing an increase of \$3 million from FY 2018.

FYE 2018

The college district's net position was \$24.8 million and \$45.1 million as of August 31, 2018 and 2017, respectively. This represents a decrease of \$20.3 million and an increase of \$1.7 million in 2018 and 2017, respectively. The \$20.3 million decline in 2018 was due to the \$23.4 million restatement of the beginning 2018 unrestricted net position required as the college implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The college district's net position as of August 2018, excluding the GASB 75 restatement to the unrestricted net position, would have been \$48.2 million, which is an increase of \$3.1 million from August 2017.

The unrestricted net position are the funds available for spending at the college district's discretion. The negative \$11 million unrestricted net position as of August 31, 2018 was due to the \$23.4 million net position restatement due to GASB 75 noted above. In comparison, as of August 31, 2017, \$9.0 million was classified as unrestricted net position. The college district's unrestricted net position as of August 2018, excluding the GASB 75 restatement to the unrestricted net position, would have been \$12.4 million which is an increase of \$3.3 million from August 2017.

## Brief Overview of the Financial Statements

This annual financial report consists of five components: Management's Discussion and Analysis, the basic financial statements (Net Position; Revenues, Expenses and Changes in Net Position; and Cash Flows), the notes to the financial statements, required supplementary information, and other supplementary information.

The Statements of Net Position present the current and long-term assets, deferred inflows and outflows of resources, and liabilities separately with the difference in total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources reported as net position. Over time, an increase or decrease in net position may serve as a useful indicator of whether the financial position of the college district is improving or deteriorating. However, one may need to consider other non-financial factors to assess the overall health of the college district.

The Statements of Revenues, Expenses, and Changes in Net Position present the change in the college district's net position as a result of the fiscal year's operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transaction occurs. Thus, revenues and expenses may be reported for items that may not affect cash until future fiscal periods.

The Statements of Cash Flows present the operating cash inflows and outflows resulting in net cash flows from operations. These statements are prepared using the direct method as prescribed by the Governmental Accounting Standards Board (GASB) Statement 34.

The college district is reported as a special-purpose government engaged in business-type activities using the full accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when they have been reduced to a legal or contractual obligation to pay.

The Notes to the Financial Statements provide additional information that is essential for a better understanding of the data provided in the financial statements.

Other Supplementary Information is provided in addition to the basic financial statements and accompanying notes.

## Financial Analysis

### Net Position

FYE 2019

The schedule below was prepared from the Statements of Net Position. Total net position, which is the difference in total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, at August 31, 2019 and 2018, was \$24.4 million and \$24.8 million, respectively. This represents an overall decrease of 1.59% from the prior fiscal year. Refer to the Revenues, Expenses and Changes in Net Position, Cash Flows, Capital Assets, and Debt Retirement for further details.

FYE 2018

The schedule below was prepared from the Statements of Net Position. Total net position, which is the difference in total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, at August 31, 2018 and 2017, was \$24.8 million and \$45.1 million, respectively. This represents an overall decrease of 44.94% from the prior fiscal year. The decrease was due to the \$23.4 million restatement of the beginning 2018 unrestricted net position required as the college district implemented GASB 75, as noted in the Financial Highlights. The application of GASB 75 recognized deferred outflows related to OPEB of \$2.0 million, deferred inflows related to OPEB of \$4.4 million and net OPEB liability (noncurrent portion) of \$20.0 million on the Statement of Net Position for fiscal year 2018. Refer to the Revenues, Expenses and Changes in Net Position, Cash Flows, Capital Assets, and Debt Retirement for further details.

STATEMENTS OF NET POSITION

ASSETS	2019	2018	2017
Total current assets	\$ 25,890,757	\$ 24,586,445	\$ 21,619,191
Total capital assets, net	55,393,979	56,503,383	58,640,707
Total Assets	81,284,736	81,089,828	80,259,898
Total Deferred Outflows of Resources	8,073,510	2,985,628	1,091,060
LIABILITIES			
Total current liabilities	7,241,836	7,207,423	6,268,529
Total noncurrent liabilities	48,366,099	46,296,678	28,773,367
Total Liabilities	55,607,935	53,504,101	35,041,896
Total Deferred Inflows of Resources	9,321,355	5,747,629	1,220,272
NET POSITION			
Invested in capital assets, net of related debt	32,816,492	32,050,901	32,305,911
Restricted			
Nonexpendable	1,154,291	1,167,758	1,177,723
Expendable	2,670,722	2,600,147	2,580,165
Unrestricted	(12,212,549)	(10,995,080)	9,024,991
TOTAL NET POSITION	\$ 24,428,956	\$ 24,823,726	\$ 45,088,790

Revenues, Expenses, and Changes in Net Position

FYE 2019

The change in net position is the result of operating and non-operating activities during the fiscal year. As noted, the college's total net position declined \$395 thousand (1.59%) for the fiscal year ended August 31, 2019.

The two primary sources of operating revenues are tuition and fees and various grants and contracts. Much like FY 2018, the total operating revenues were relatively flat increasing \$80 thousand (0.84%) overall from the prior fiscal year. The largest increase was state grants and contracts for \$277 thousand (43.27%) for firefighting training equipment and for a local medical

center skills development grant. The increase was offset by a reduction in federal grants and contracts for \$308 thousand (15.03%) due to reduced costs related to the new Enterprise Resource Planning (ERP) system and reduced grant funding.

Operating expenses increased \$5.4 million (16.43%) overall from the prior fiscal year mainly due to the increase in expenses recorded related to pension expense for \$607 thousand and OPEB expense for \$3.9 million. Other areas that increased included payroll costs and the associated benefits due to continued efforts to improve salaries to reflect local and state market trends, technology upgrades for the institutional operations, instruction, and student support services, and increases in normal operating expenditures such as insurance, utilities, and daily ongoing repairs and maintenance.

As is customary practice, the district continues to be very dedicated to conservative spending habits and controlling expenditures in all areas.

The primary sources of non-operating revenues are state appropriations, property taxes, and Title IV federal grants for students which includes Pell, SEOG, and work study funds. Net non-operating revenues increased \$1.9 million (7.18%) primarily due to a \$1.7 million (20.69%) increase in property taxes for operations and maintenance and a \$100 thousand (6.83%) increase in property taxes for debt service mainly as a result of an approximate \$1.2 billion increase in mineral and industrial values in the county, a \$376 thousand (40.86%) increase in state funds for healthcare benefits, and a \$222 thousand (76.14%) increase in state funds for retirement. The increases were offset by a \$799 thousand (103.48%) decrease in the net gain on disposal of fixed assets from FY 2018 primarily from the recognition of the net of an insurance claim payment of \$1.7 million and the write off for the impairments of roofs from a severe hail storm in September 2017.

#### FYE 2018

The change in net position is the result of operating and non-operating activities during the fiscal year. As noted, the college's total net position declined \$20.3 million (44.94%) for the fiscal year ended August 31, 2018, of which \$23.4 million was attributable to GASB 75 and improved \$1.7 million (3.80%) for the fiscal year ended August 31, 2017. However, the college district's net position from operations increased \$3.1 million for the 2018 fiscal year.

The two primary sources of operating revenues are tuition and fees and various grants and contracts. Total operating revenues were relatively flat increasing \$18 thousand (0.19%) overall from the prior fiscal year due to a combination of factors including an \$189 thousand (48.06%) increase in other operating revenue mainly from an increase in local contract billings which had offsetting expense. This increase was somewhat offset by slight reductions in tuition and fees of \$59 thousand (1.29%) and auxiliary enterprises of \$47 thousand (17.05%), both of which are reported net of scholarship discounts and allowances, due to an approximate 5% decline in enrollment, and a minimal decrease in grants and contracts of \$88 thousand (2.32%) as a result of near completion and completion of some grants and other various factors.

Operating expenses increased \$839 thousand (2.63%) overall from the prior fiscal year due to an increase in payroll costs including the associated benefits, mainly due to an effort to increase salaries of exempt positions to reflect local and state market trends, \$466 thousand for technology upgrades of which \$344 thousand went towards a new Enterprise Resource Planning (ERP)

system, and increases in regular operating expenditures such as insurance, utilities, and daily ongoing repairs and maintenance. The increases were offset some by a decrease in expenses related to net pension liability and other post-employment benefits (OPEB) required by GASB 68 and GASB 75, respectively.

As is customary practice, the district continues to be very dedicated to conservative spending habits and controlling expenditures in all areas.

The primary sources of non-operating revenues are state appropriations, property taxes, and Title IV federal grants for students including Pell, SEOG, and work study funds. Net non-operating revenues increased \$2.1 million (8.84%) primarily due to a \$523 thousand (5.7%) increase in education and general state appropriations for operations, a \$425 thousand (5.59%) increase in property taxes for operations and maintenance due to a \$157 million (5.64%) increase in net assessed valuation, although the maintenance and operations rate per \$100 valuation was relatively flat, \$720 thousand (17.47%) increase in federal revenue from the effects of year round Pell that became effective summer 2018, and a \$537 thousand (228.19%) increase in gain on disposal of fixed assets primarily from the net of an insurance claim payment of \$1.7 million and the write off for the impairment of roofs from a severe hail storm in September 2017. The increases were offset by a reduction of \$577 thousand (32.24%) in state funds for retirement and healthcare benefits primarily due to the implementation of GASB 75.

The college also recognized an increase of \$133 thousand in capital contributions for capital asset acquisitions and projects with the majority of the increase being attributable to the construction trades building at the San Angelo site.

#### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2019	2018	2017
REVENUES			
Operating revenues			
Tuition & fees (net of discounts)	\$ 4,456,035	\$ 4,499,811	\$ 4,558,820
Federal grants and contracts	1,743,457	2,051,749	2,119,315
State grants and contracts	916,611	639,777	612,539
Local grants and contracts	116,246	55,972	111,711
Nongovernmental grants and contracts	865,872	957,549	949,305
Sales and services of educational activities	435,006	430,979	408,984
Auxiliary enterprises (net of discounts)	254,118	226,317	272,826
Other operating revenues	737,994	583,521	394,116
Total operating revenues	<u>9,525,339</u>	<u>9,445,675</u>	<u>9,427,616</u>
EXPENSES			
Operating expenses			
Instruction	11,180,898	9,394,076	9,529,202
Public service	1,485,194	1,362,028	1,105,273
Academic support	1,848,481	1,760,020	1,799,523
Student services	3,161,564	2,484,474	2,400,453
Institutional support	8,605,120	7,047,953	6,554,883
Operation and maintenance of plant	4,570,923	3,695,597	3,647,964
Scholarships and fellowships	2,217,878	2,128,599	1,968,209
Auxiliary enterprises	2,461,570	2,349,049	2,390,485

Depreciation	2,617,704	2,543,166	2,529,490
Total operating expenses	38,149,332	32,764,962	31,925,482
Operating loss	(28,623,993)	(23,319,287)	(22,497,866)
NON-OPERATING REVENUES (EXPENSES)			
State appropriations	11,578,593	10,956,813	10,984,961
Property taxes for operations	9,691,119	8,030,086	7,604,949
Property taxes for debt service	1,562,512	1,462,623	1,463,648
Payments in lieu of taxes	264,472	260,465	156,356
Federal revenue, non-operating	5,039,650	4,840,235	4,120,246
Investment income (net of investment expenses)	269,696	114,211	41,601
Interest on capital related debt	(652,833)	(648,653)	(725,921)
Gain (loss) on disposal of fixed assets	(26,861)	772,158	235,281
Other non-operating revenues	377,691	434,576	212,342
	28,104,039	26,222,514	24,093,463
Income (loss) before other revenue	(519,954)	2,903,227	1,595,597
Other revenue			
Capital contributions	125,184	189,806	57,017
Increase (decrease) in net position	(394,770)	3,093,033	1,652,614
Net Position – beginning of year, as previously reported	24,823,726	45,088,790	43,436,176
Cumulative effect of change in accounting principle	-	(23,358,097)	-
Net Position – beginning of year, as adjusted	24,823,726	21,730,693	43,436,176
Net Position – end of year	\$ 24,428,956	\$ 24,823,726	\$ 45,088,790

## Cash Flows

### FYE 2019

In addition to the Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position, the Statements of Cash Flows, presented below, are another way to assess the financial health of the college. Its primary purpose is to provide relevant information about the cash receipts and cash payments by the college district during the fiscal year. There was an increase in cash and cash equivalents of \$1.4 million (6.76%) for the year ended August 31, 2019. The primary use of cash in operations was for payment of salaries and benefits, followed by payments to suppliers for goods and services. Sources of cash from non-capital financing activities are primarily from ad valorem taxes and state appropriations. Capital and related financing activities include payment of debt, both principal and interest, as well as capital asset acquisitions and construction.

## FYE 2018

In addition to the Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position, the Statements of Cash Flows, presented below, are another way to assess the financial health of the college. Its primary purpose is to provide relevant information about the cash receipts and cash payments by the college district during the fiscal year. There was an increase in cash and cash equivalents of \$3.0 million (16.66%) for the year ended August 31, 2018. Much of this increase was attributable to the \$1.7 million insurance claim payment from the severe hail storm in September 2017, as noted above, of which repairs were not done as of August 31, 2018. The primary use of cash in operations is in payment of salaries and benefits, followed by payments to suppliers for goods and services. Sources of cash from non-capital financing activities are primarily from ad valorem taxes and state appropriations. Capital and related financing activities include payment of debt, both principal and interest, as well as capital asset acquisitions and construction.

### STATEMENTS OF CASH FLOWS

Cash Provided (Used) by:	2019	2018	2017
Operating activities	\$ (20,846,676)	\$ (19,519,185)	\$ (17,632,659)
Noncapital financing activities	24,389,070	23,010,221	21,141,878
Capital and related financing activities	(2,395,185)	(614,186)	(2,088,309)
Investing activities	269,696	114,211	41,601
Net increase in cash and cash equivalents	1,416,905	2,991,061	1,462,511
Cash and cash equivalents Sept 1	20,949,888	17,958,827	16,496,316
Cash and cash equivalents Aug 31	\$ 22,366,793	\$ 20,949,888	\$ 17,958,827

## Overall Financial Position

### FYE 2019

As reflected in the schedules and narrative, the college's financial position from operations declined slightly during the fiscal year ended August 31, 2019. A brief explanation of significant financial changes has been discussed in other sections of the Financial Analysis. The college district shares a competitive market and strives to provide quality instructional programs and services while continuing its commitment to controlling expenditures in order to be fiscally responsible. This steadfast commitment has helped to maintain the stability of the college's financial position as reflected in the comparative financial information provided.

As in the past, the college continues to seek additional funding from outside sources such as federal, state, and non-governmental grants. Since tuition and fees and state funding from instructional performance are two of the primary sources of revenue, the college continually strategizes ways to increase enrollment and viable program offerings. In an effort to meet the needs of the college's thirteen county service area, the college also continues to research the feasibility of new programs and of enhancing existing programs, pursue new course delivery methods, and provide new services as needed or requested. The college continues to control expenditures through conservative budgeting strategies, freezing the filling of some vacant positions when practical, limiting or reducing staff in certain areas, as well as purchasing techniques and controls that reduce costs and maximize value.

## FYE 2018

As reflected in the schedules and narrative, the college's financial position from operations improved during the fiscal year ended August 31, 2018. The implementation of GASB 75 had a significant impact on the college district's liabilities and total net position. A brief explanation of significant financial changes has been discussed in other sections of the Financial Analysis. The college district shares a competitive market and strives to provide quality instructional programs and services while striving to be committed to controlling expenditures in order to continue to be fiscally responsible. This steadfast commitment has helped to maintain the stability of the college's financial position as reflected in the comparative financial information provided.

As in the past, the college continues to seek additional funding from outside sources such as federal, state, and non-governmental grants. Since tuition and fees and state funding from instructional performance are two of the primary sources of revenue, the college continually strategizes ways to increase enrollment and viable program offerings. In an effort to meet the needs of the college's thirteen county service area, the college also continues to research ways to begin new programs and enhance existing programs, pursue new course delivery methods, and to provide new services as needed or requested. The college continues to control expenditures through conservative budgeting strategies, freezing the filling of some vacant positions when practical, limiting or reducing staff in certain areas, as well as purchasing techniques and controls that reduce costs and maximize value.

## Capital Assets

### FYE 2019

As of August 31, 2019 and 2018, the college district had invested \$87.4 million and \$86.2 million, respectively, in capital assets. Net of accumulated depreciation, the college district's net capital assets at August 31, 2019 totaled \$55.4 million and totaled \$56.5 million at August 31, 2018. Even though there was an approximate \$1.1 million decrease in net capital assets, the college district added approximately \$1.6 million in capital assets including \$186 thousand for security cameras and an electronic access system at the Big Spring, San Angelo, and Lamesa sites, \$103 thousand was added to the new Enterprise Resource Planning (ERP) system which was started in FY 2017, \$385 thousand for various instructional equipment of which \$338 thousand was grant funded, \$228 thousand for operating equipment and fleet upgrades, \$223 thousand in HVAC upgrades at the Big Spring and San Angelo sites, \$222 thousand towards renovations to the restrooms in the Student Union Building in Big Spring, and an additional \$127 thousand towards the Building Trades facility at the San Angelo site that was started last fiscal year. These capital asset improvements were offset by reductions including \$106 thousand to remove a coliseum sign to be replaced next fiscal year, \$137 thousand in the library collections district-wide and a \$2.7 million net increase in accumulated depreciation for 2018/19.

### FYE 2018

As of August 31, 2018 and 2017, the college district had invested \$86.2 million and \$86.5 million, respectively, in capital assets. Net of accumulated depreciation, the college district's net capital assets at August 31, 2018 totaled \$56.5 million and totaled \$58.6 million at August 31, 2017. Even though there was an approximate \$2.1 million decrease in net capital assets, the college district

added approximately \$1.3 million in capital assets including \$501 thousand for security cameras and an electronic access system at the Big Spring and SWCID sites, \$155 thousand was added to the new Enterprise Resource Planning (ERP) system which was started last fiscal year, \$178 thousand for various instructional equipment, \$141 thousand for operating equipment and fleet upgrades, \$135 thousand to complete the upgrade to the fire alarm system on the Big Spring site that was started last year, \$67 thousand to renovate an existing building into a security building on the Big Spring site, and \$162 thousand to start a Building Trades facility at the San Angelo site. These capital asset improvements were offset by reductions including \$585 thousand to reduce the value for impairments to roofs and buildings from a major hail storm and \$2.5 million net increase in accumulated depreciation for 2017/18.

## Debt Administration

### FYE 2019

The college district's long-term debt was comprised of capital lease agreements, notes payable, the General Obligation Refunding Bonds issued September 2016, a consolidated revenue bond issued November 2009, and a consolidated revenue bond issued June 2013. The current portion was \$1,704,958 and the non-current portion was \$21,088,086 for a total of \$22,793,044 at August 31, 2019. The college entered into an operating lease agreement with the Shannon Medical Center in San Angelo beginning September 1, 2008 for instructional and office space at the St. John's campus. The lease has been amended twice to include additional space effective July 2009 and July 2011 and was renewed in 2018 to expire in 2023. Refer to Notes 6, 7, 8, 9, 10, and 11 of the financial statements for detailed information.

The college district continues to maintain a bond rating of "AA- with a stable outlook" with Standard and Poor's and Fitch Ratings on the General Obligation Refunding Bonds, Series 2016.

### FYE 2018

The college district's long-term debt was comprised of capital lease agreements, notes payable, the General Obligation Refunding Bonds issued September 2016, a consolidated revenue bond issued November 2009, and a consolidated revenue bond issued June 2013. The current portion was \$1,656,249 and the non-current portion was \$23,037,150 for a total of \$24,693,399 at August 31, 2018. The college entered into an operating lease agreement with the Shannon Medical Center in San Angelo beginning September 1, 2008 for instructional and office space at the St. John's campus. The lease has been amended twice to include additional space effective July 2009 and July 2011 and was renewed in 2018 to expire in 2023. Refer to Notes 6, 7, 8, 9, 10, and 11 of the financial statements for detailed information.

The college district continues to maintain a bond rating of "AA- with a stable outlook" with Standard and Poor's and Fitch Ratings on the General Obligation Refunding Bonds, Series 2016.

## Currently Known Facts, Decisions, or Conditions

As previously noted, the District's main sources of revenue are tuition and fees, state funding, local taxes, gifts and grants. The overall economic condition of the state and the local area, both

of which are heavily dependent on and influenced by the oil and natural gas industry, have an impact on each of these funding sources. The volatility of this market the past few years affected mineral, industrial, and property values, particularly mineral and industrial values, significantly in the state and the local area. The upswing in this market the past couple of years resulted in an increase in mineral and industrial values for the college by \$1.2 billion, after exemptions, for fiscal year 2019 attributing to an increase of \$1.4 billion in net assessed value for the fiscal year. The growth in mineral, industrial and property values for fiscal year 2020 increased the net assessed value by approximately \$1.3 billion of which \$408 million and \$823 million were attributable to mineral and industrial values, respectively.

With the additional property tax funds in fiscal year 2019, the college was able to complete some of the planned deferred repairs and maintenance projects. The college plans to utilize the additional property tax funds from fiscal year 2019/20 for additional deferred maintenance needs and to continue enhancing campus safety and security needs as budget allows while striving to be fiscally responsible in doing so.

Enrollment and the academic success of students are key factors with the current state funding model. In order to continue addressing enrollment, the college continues its district wide marketing campaign catering to the specific demographics and culture of each campus. In order to clearly market the mission and purpose of the Southwest Collegiate Institute for the Deaf campus (SWCID), the college requested that legislation be introduced to change its name. In the spring of 2019, the Texas Legislature changed the name to the Southwest College for the Deaf (SWCD) which clarified a long-standing misperception of its mission and purpose due to the words “collegiate” and “institute.” The name change was effective September 1, 2019. In another initiative to address perception in the Lamesa community, the college pursued local support from Dawson County entities to enhance the appearance of the campus. Both of these measures were integral parts of our marketing plan to further the opportunities of the communities we serve.

Although the academic success of students is part of the state funding model, achievement of their academic goals is paramount to the college. In February of 2019, the Board of Trustees affirmed a Commitment to Action for Student Success. Several board meetings were designed for board trainings and reports to focus on student success initiatives. Concerted efforts are also underway to create streamlined academic pathways embedded with student support to enhance student success and completion.

The college is always considering ways to enhance services, both student support and instructional. Due to the demand for public school teachers in the area, Howard College partnered with Texas Tech and county school districts to provide a fast-tracked, intense 2+1 program for students interested in becoming teachers. The initiative has been embraced by both the school districts, communities and students.

As always, efforts are made to keep tuition low for students but fiscally responsible for college operations in concert with other revenue sources. Tuition and fee rates are reviewed periodically and adjustments are implemented as appropriate.

As noted, and most importantly, the college always seeks to improve and/or start new programs and services, if practical, to help address local workforce training needs, the changing workforce education market, and academic program needs in an effort to earnestly serve the communities in the college district’s thirteen county service area.

## Contacting the District's Financial Management

This financial report is designed to provide a general overview of the Howard County Junior College District's finances for all those with an interest in the college's finances.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Chief Fiscal Officer/Controller, Howard College, 1001 Birdwell Lane, Big Spring, TX 79720.

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Howard County Junior College District  
 STATEMENTS OF NET POSITION  
 Exhibit I  
 August 31,

	2019	2018
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 22,366,793	\$ 20,949,888
Accounts receivable, net	2,829,519	3,017,965
Prepaid expenses	674,145	597,792
Inventories for resale	20,300	20,800
Total current assets	25,890,757	24,586,445
Noncurrent Assets		
Capital assets, net of accumulated depreciation	55,393,979	56,503,383
Total noncurrent assets	55,393,979	56,503,383
TOTAL ASSETS	81,284,736	81,089,828
Deferred Outflows of Resources		
Deferred outflows related to pensions	2,769,488	705,184
Deferred outflows related to OPEB	5,088,465	2,039,527
Deferred outflows related to loss on refunding of debt	215,557	240,917
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,073,510	2,985,628
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	1,102,008	1,006,309
Accrued liabilities	2,093,849	1,849,510
Deposits payable	34,206	36,769
Unearned revenue	1,715,795	2,299,563
Accrued compensable absences	272,727	257,488
Net OPEB liability – current portion	318,293	101,535
Bonds and notes payable – current portion	1,677,527	1,630,649
Capital lease agreements – current portion	27,431	25,600
Total current liabilities	7,241,836	7,207,423
Noncurrent liabilities		
Bonds and notes payable, noncurrent portion	21,047,232	22,968,863
Capital lease agreements, noncurrent portion	40,854	68,287
Net pension liability	5,958,149	3,350,576
Net OPEB liability, noncurrent portion	21,319,864	19,908,952
Total noncurrent liabilities	48,366,099	46,296,678
TOTAL LIABILITIES	55,607,935	53,504,101
Deferred Inflows of Resources		
Deferred inflows related to pensions	946,003	1,323,212
Deferred inflows related to OPEB	8,375,352	4,424,417
TOTAL DEFERRED INFLOWS OF RESOURCES	9,321,355	5,747,629
<b>NET POSITION</b>		
Net investment in capital assets	32,816,492	32,050,901
Restricted for:		
Nonexpendable		
Student aid	1,154,291	1,167,758
Expendable		
Student aid	518,073	596,303
Instructional programs	31,557	29,083
Capital projects	5,355	50,994
Debt service	1,817,942	1,647,983
Other	297,795	275,784
Unrestricted	(12,212,549)	(10,995,080)
TOTAL NET POSITION (Schedule D)	\$ 24,428,956	\$ 24,823,726

The accompanying notes are an integral part of these statements.

Howard County Junior College District  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
Exhibit 2  
Year Ended August 31,

	2019	2018
REVENUES		
Operating revenues		
Tuition and fees (net of discounts of \$5,627,950 and \$5,346,890)	\$ 4,456,035	\$ 4,499,811
Federal grants and contracts	1,743,457	2,051,749
State grants and contracts	916,611	639,777
Local grants and contracts	116,246	55,972
Nongovernmental grants and contracts	865,872	957,549
Sales and services of educational activities	435,006	430,979
Auxiliary enterprises (net of discounts of \$1,109,418 and \$1,104,124)	254,118	226,317
Other operating revenues	737,994	583,521
Total operating revenues (Schedule A)	9,525,339	9,445,675
EXPENSES		
Operating expenses		
Instruction	11,180,898	9,394,076
Public service	1,485,194	1,362,028
Academic support	1,848,481	1,760,020
Student services	3,161,564	2,484,474
Institutional support	8,605,120	7,047,953
Operation and maintenance of plant	4,570,923	3,695,597
Scholarships and fellowships	2,217,878	2,128,599
Auxiliary enterprises	2,461,570	2,349,049
Depreciation	2,617,704	2,543,166
Total operating expenses (Schedule B)	38,149,332	32,764,962
Operating loss	(28,623,993)	(23,319,287)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	11,578,593	10,956,813
Property taxes for operations	9,691,119	8,030,086
Property taxes for debt service	1,562,512	1,462,623
Payments in lieu of taxes	264,472	260,465
Federal revenue, non operating	5,039,650	4,840,235
Investment income (net of investment expenses)	269,696	114,211
Interest on capital related debt	(652,833)	(648,653)
Gain (loss) on disposal of fixed assets	(26,861)	772,158
Other non-operating revenues	377,691	434,576
Net non-operating revenues (Schedule C)	28,104,039	26,222,514
Income (loss) before other revenue	(519,954)	2,903,227
Other revenue		
Capital contributions	125,184	189,806
Increase (decrease) in net position	(394,770)	3,093,033
Net position – beginning of year	24,823,726	21,730,693
Net position – end of year	\$ 24,428,956	\$ 24,823,726

The accompanying notes are an integral part of these statements.

Howard County Junior College District  
STATEMENTS OF CASH FLOWS  
Exhibit 3  
Year ended August 31,

	2019	2018
Cash flows from operating activities		
Receipts from students and other customers	\$ 5,011,875	\$ 5,161,409
Receipts of grants and contracts	3,713,623	4,114,946
Other receipts	1,115,685	1,018,097
Payments to or on behalf of employees	(19,370,635)	(18,889,721)
Payments to suppliers for goods and services	(9,099,346)	(8,795,317)
Payments of scholarships	(2,217,878)	(2,128,599)
Net cash used by operating activities	(20,846,676)	(19,519,185)
Cash flows from noncapital financing activities		
Property tax receipts and payments in lieu of taxes	9,923,760	8,381,624
Receipts of state appropriations	9,767,984	9,744,350
Receipts of non-operating federal revenue	4,697,326	4,884,247
Net cash provided by noncapital financing activities	24,389,070	23,010,221
Cash flows from capital and related financing activities		
Property tax receipts	1,553,183	1,470,831
Capital contracts, grants, and gifts	125,184	189,806
Payments from accounts payable related to fixed asset additions	-	(99,797)
Purchases of capital assets	(1,535,161)	(1,348,502)
Proceeds from sale of capital assets	-	1,714,818
Payments on capital debt and leases	(1,656,250)	(1,613,436)
Interest payments on capital debt and leases	(882,141)	(927,906)
Net cash used by capital and related financing activities	(2,395,185)	(614,186)
Cash flows from investing activities		
Investment earnings	269,696	114,211
Increase in cash and cash equivalents	1,416,905	2,991,061
Cash and cash equivalents – September 1	20,949,888	17,958,827
Cash and cash equivalents – August 31	\$ 22,366,793	\$ 20,949,888
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (28,623,993)	\$ (23,319,287)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	2,617,704	2,543,166
Other revenue	377,691	434,576
Payments made directly by state for benefits	1,810,609	1,212,463
Changes in assets and liabilities:		
Receivables, net	21,930	31,081
Inventories	500	(5,900)
Other assets	(76,353)	5,333
Deferred outflows related to pensions	(2,064,304)	119,599
Deferred outflows related to OPEB	(3,048,938)	(2,039,527)
Accounts payable	95,699	170,952
Accrued liabilities	254,902	145,637
Unearned revenue	(33,768)	401,044
Deposits payable	(2,563)	1,756
Accrued compensable absences	15,239	35,333
Net pension liability	2,607,573	(435,158)
Net OPEB liability	1,627,670	(3,347,610)
Deferred inflows related to pensions	(377,209)	102,940
Deferred inflows related to OPEB	3,950,935	4,424,417
Net cash used by operating activities	\$ (20,846,676)	\$ (19,519,185)
Noncash investing, capital, and financing activities:		
Amortization of loss on refunding and bond premium	\$ 218,745	\$ 268,878
Net effect of noncash transactions	\$ 218,745	\$ 268,878

The accompanying notes are an integral part of these statements.

Howard County Junior College District  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2019 and 2018

NOTE 1 – REPORTING ENTITY

The Howard County Junior College District (District) was created by a county-wide vote on November 17, 1945. The District is located in Howard County, Texas, and operates as a county-wide Junior College District under the laws of the State of Texas, to serve the educational needs of Howard County and the surrounding communities. The District is considered to be a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*. The District also operates extension campuses, some of which are located outside of Howard County. The District also operates the Southwest Collegiate Institute for the Deaf (SWCID), located in Big Spring, which was established as part of the District by the Board on November 6, 1979. All of the extension campuses' financial activity is included in the District's financial statements. While the District receives funding from local, state and federal sources, and must comply with the spending, reporting and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

The District offers course work designed to prepare students to continue their education at senior institutions or to enter specific occupational areas at the end of a one- or two-year period of specialized training in occupational education. Arts and Sciences programs are designed for transfer to baccalaureate degree-granting institutions. Associate in Arts and Associate in Science degrees are available to students completing a two-year curriculum. Vocational/Technical Education programs seek to develop intellectual abilities and skills that will enable the student to enter a technical or semi-professional occupation. It is the purpose of these programs to prepare the student for jobs in industry.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting guidelines*

The significant accounting policies followed by Howard County Junior College District in preparing these financial statements are in accordance with the Texas Higher Education Coordinating Board's *Annual Financial Reporting Requirements for Texas Public Community Colleges*. The District applies all applicable GASB pronouncements. The District is reported as a special-purpose government engaged in business-type activities.

B. *Tuition discounting*

Texas Public Education Grants

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code Sec. 56.033). When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act Program Funds

Certain Title IV HEA Program funds are received by the District to pass through to the student. These funds are initially received by the District and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Other tuition discounts

The District awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Howard County Junior College District  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. *Basis of accounting*

The financial statements of the District have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

D. *Budgetary data*

Each community college in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The District's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library and Governor's Office of Budget and Planning by December 1.

E. *Cash and cash equivalents*

The District's cash and cash equivalents are considered to be cash on hand, cash in bank, demand deposits, time deposits, and investments with original maturities of three months or less from the date of acquisition.

F. *Deferred inflows*

In addition to liabilities, the District is aware that the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so is not recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report deferred inflows in circumstances specifically authorized by the GASB.

G. *Deferred outflows*

In addition to assets, the District is aware that the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. Governments are permitted only to report deferred outflows in circumstances specifically authorized by the GASB. A typical deferred outflow for community colleges is a deferred charge on refunding debt.

H. *Investments*

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, investments are reported at fair value or amortized cost. Fair values are based on published market rates. The governing board has designated public funds investment pools comprised of \$542,910 and \$530,576 as of August 31, 2019 and 2018, respectively, to be cash equivalents.

Howard County Junior College District  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I. *Inventories*

Inventories consist of livestock. Inventories are stated at the lower of cost or market on a first-in, first-out basis and are charged to expense as consumed.

J. *Capital assets*

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. The District’s capitalization policy includes real or personal property with a value equal to or greater than \$5,000 and has an estimated life of greater than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are charged to operating expense in the year in which the expense is incurred. The District reports depreciation under a single-line item as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following lives are used:

Buildings	50 years
Facilities and other improvements	20 years
Library books	15 years
Furniture, machinery, vehicles and other equipment	10 years
Telecommunications and peripheral equipment	5 years

K. *Capitalization of interest costs on borrowings*

The District capitalizes interest costs on borrowings incurred during the new construction or upgrade of qualifying assets. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets. For the years ended August 31, 2019 and 2018, the District capitalized no interest in connection with capital projects. The total amount of interest cost incurred for the year ended August 31, 2019 and 2018 was \$652,833 and \$648,653, respectively.

L. *Unearned revenue*

Tuition and fees of \$1,098,697 and \$1,198,942, federal grants of \$3,001 and \$556,050, state grants of \$343,929 and \$305,249, local grants of \$500 and \$27,845, and private grants of \$269,668 and \$211,477 have been reported as unearned revenue at August 31, 2019 and 2018, respectively.

M. *Estimates*

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. *Operating and non-operating revenue and expense policy*

The District distinguishes operating revenues and expenses from non-operating items. The District reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the District’s principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The operation of the bookstore and food service is not performed by the District.

Howard County Junior College District  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

N. *Operating and non-operating revenue and expense policy – continued*

It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

O. *Pensions*

The District participates in the Teacher Retirement System of Texas (TRS) pension plan, a multi-employer cost sharing defined benefit pension plan with a special funding situation. The fiduciary net position of TRS has been determined based on the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable, in accordance with benefit terms. Investments are reported at fair value.

P. *Other post-employment benefits (OPEB)*

The fiduciary net position of the Employees Retirement System of Texas (ERS) State Retiree Health Plan (SRHP) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits; OPEB expense; and information about assets, liabilities and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

Q. *New pronouncements*

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). It requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred and requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement. In addition, this statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation, at least annually, and requires a government to evaluate all relevant factors, at least annually, to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. In cases where governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities, this statement requires disclosure of how those funding and assurance requirements are being met, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The District has implemented this Statement for the fiscal year ended August 31, 2019 to comply with GASB requirements and the adoption of this Statement did not have a material effect on the District's financial statements.

Howard County Junior College District  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Q. *New pronouncements - continued*

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* (GASB 88). The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. GASB 88 is effective for financial statements for periods beginning after June 15, 2018. The District has implemented this Statement for the fiscal year ended August 31, 2019 to comply with GASB requirements and the adoption of this Statement did not have a material effect on the District's financial statements.

R. *Pending pronouncements*

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 is effective for reporting periods beginning after December 15, 2018.

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 is effective for reporting periods beginning after December 15, 2019.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB 89). The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. GASB 89 is effective for reporting periods beginning after December 15, 2019.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* (GASB 90). The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. GASB 90 is effective for reporting periods beginning after December 15, 2018.

Howard County Junior College District  
 NOTES TO THE FINANCIAL STATEMENTS  
 August 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

R. *Pending pronouncements - continued*

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). The objective of this Statement is to better meet the information needs of financial statement users by enhancing the comparability and consistency of conduit debt obligation reporting and reporting of related transactions and other events by state and local government issuers. This Statement also is intended to improve the relevance, reliability, and understandability of information about conduit debt obligations, as well as related transactions and other events. GASB 91 is effective for reporting periods beginning after December 15, 2020.

The District has not yet completed the process of evaluating the impact of GASB Statement Nos. 84, 87, 89, 90, and 91 on its financial statements.

NOTE 3 – AUTHORIZED INVESTMENTS

The District is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) local government investment pools continuously rated no lower than AAA or AAAM or equivalent by a nationally recognized rating service, (4) certificates of deposit and (5) other instruments and obligations authorized by statute and approved by Board policy.

NOTE 4 – DEPOSITS AND INVESTMENTS

The carrying amount of the District’s deposits at August 31, 2019 and 2018 was \$21,817,310 and \$20,413,062, respectively. Total bank balances at August 31, 2019 and 2018 were \$22,354,979 and \$20,649,187, respectively. Of the bank balances, \$546,733 and \$307,147 were covered by federal deposit insurance and \$21,808,246 and \$20,342,040 were uninsured but collateralized in accordance with provisions of the Public Funds Investment Act as of August 31, 2019 and 2018, respectively. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 per depositor, per insured bank, for each account ownership category.

Cash and Deposits as reported on Exhibit 1, Statements of Net Position, consist of the items reported below, as of August 31,:

	2019	2018
Bank Deposits		
Demand deposits	\$ 10,878,728	\$ 9,450,644
Time deposits	10,938,582	10,962,418
	21,817,310	20,413,062
Cash on hand	6,573	6,250
Total Cash and Deposits	\$ 21,823,883	\$ 20,419,312

Howard County Junior College District  
 NOTES TO THE FINANCIAL STATEMENTS  
 August 31, 2019 and 2018

NOTE 4 – DEPOSITS AND INVESTMENTS - Continued

Reconciliation of deposits and investments to Exhibit 1, as of August 31,

<u>Total deposits and investments:</u>	<u>2019</u>	<u>2018</u>
Per Exhibit 1:		
Cash and cash equivalents	\$ 22,366,793	\$ 20,949,888
Total deposits and investments	<u>\$ 22,366,793</u>	<u>\$ 20,949,888</u>
Per Note 4:		
Deposits and cash on hand	\$ 21,823,883	\$ 20,419,312
Investments	<u>542,910</u>	<u>530,576</u>
Total	<u>\$ 22,366,793</u>	<u>\$ 20,949,888</u>

As of August 31, 2019, the District had the following investments and maturities:

		Investment Maturities (in Years)
<u>Investment Type</u>	<u>Amount</u>	<u>Less than 1</u>
Investment Pool	<u>\$ 542,910</u>	<u>\$ 542,910</u>

The Texas Local Government Investment Pool (TexPool) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

TexPool is managed according to requirements of the Public Funds Investment Act and TexPool Investment Policy. Investments in TexPool are stated at amortized cost. TexPool seeks to maintain a stable \$1.00 price per unit; however, this is not guaranteed or insured by the State of Texas.

**Interest Rate Risk** – In accordance with state law and District policy, the District does not purchase any investments with maturities greater than two years.

**Credit Risk** – In accordance with state law and the District’s investment policy, investments in investment pools must be rated at least AAA. The District’s investment pools are rated AAAM.

**Concentration of Credit Risk** – The District does not place a limit on the amount the District may invest in any one issuer.

Howard County Junior College District  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2019 and 2018

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2019 was as follows:

	Balance September 1, 2018	Increases	Decreases	Balance August 31, 2019
Not depreciated:				
Land	\$ 371,871	\$ -	\$ -	\$ 371,871
Construction in process	<u>275,254</u>	<u>397,146</u>	<u>(74,741)</u>	<u>597,659</u>
Subtotal	<u>647,125</u>	<u>397,146</u>	<u>(74,741)</u>	<u>969,530</u>
Buildings and other capital assets				
Buildings and building improvements	50,719,102	74,741	(33,643)	50,760,200
Leasehold improvements	16,929,806	115,808	-	17,045,614
Other real estate improvements	<u>8,735,622</u>	<u>116,789</u>	<u>(116,547)</u>	<u>8,735,864</u>
Total buildings and other real estate improvements	76,384,530	307,338	(150,190)	76,541,678
Library books	780,410	26,592	(137,224)	669,778
Furniture, machinery, and equipment	<u>8,384,828</u>	<u>878,827</u>	<u>(5,794)</u>	<u>9,257,861</u>
Total buildings and other capital assets	<u>85,549,768</u>	<u>1,212,757</u>	<u>(293,208)</u>	<u>86,469,317</u>
Accumulated depreciation				
Buildings and building improvements	(17,143,677)	(971,715)	26,386	(18,089,006)
Leasehold improvements	(2,806,863)	(492,958)	-	(3,299,821)
Other real estate improvements	<u>(3,338,231)</u>	<u>(389,387)</u>	<u>97,755</u>	<u>(3,629,863)</u>
Total buildings and other real estate improvements	(23,288,771)	(1,854,060)	124,141	(25,018,690)
Library books	(625,969)	(20,899)	136,411	(510,457)
Furniture, machinery, and equipment	<u>(5,778,770)</u>	<u>(742,745)</u>	<u>5,794</u>	<u>(6,515,721)</u>
Total buildings and other capital assets	<u>(29,693,510)</u>	<u>(2,617,704)</u>	<u>266,346</u>	<u>(32,044,868)</u>
Net capital assets	<u>\$ 56,503,383</u>	<u>\$ (1,007,801)</u>	<u>\$ (101,603)</u>	<u>\$ 55,393,979</u>

Capital assets activity for the year ended August 31, 2018 was as follows:

	Balance September 1, 2017	Increases	Decreases	Balance August 31, 2018
Not depreciated:				
Land	\$ 371,871	\$ -	\$ -	\$ 371,871
Construction in process	<u>140,015</u>	<u>337,120</u>	<u>(201,881)</u>	<u>275,254</u>
Subtotal	<u>511,886</u>	<u>337,120</u>	<u>(201,881)</u>	<u>647,125</u>

Howard County Junior College District  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2019 and 2018

NOTE 5 – CAPITAL ASSETS - Continued

	Balance September 1, 2017	Increases	Decreases	Balance August 31, 2018
Buildings and other capital assets				
Buildings and building improvements	51,358,052	201,881	(840,831)	50,719,102
Leasehold improvements	16,929,806	-	-	16,929,806
Other real estate improvements	<u>8,719,155</u>	<u>16,467</u>	<u>-</u>	<u>8,735,622</u>
Total buildings and other real estate improvements	77,007,013	218,348	(840,831)	76,384,530
Library books	895,013	20,254	(134,857)	780,410
Furniture, machinery, and equipment	<u>8,074,892</u>	<u>974,660</u>	<u>(664,724)</u>	<u>8,384,828</u>
Total buildings and other capital assets	<u>85,976,918</u>	<u>1,213,262</u>	<u>(1,640,412)</u>	<u>85,549,768</u>
Accumulated depreciation				
Buildings and building improvements	(16,429,855)	(970,122)	256,300	(17,143,677)
Leasehold improvements	(2,313,905)	(492,958)	-	(2,806,863)
Other real estate improvements	<u>(2,949,451)</u>	<u>(388,780)</u>	<u>-</u>	<u>(3,338,231)</u>
Total buildings and other real estate improvements	(21,693,211)	(1,851,860)	256,300	(23,288,771)
Library books	(740,505)	(20,286)	134,822	(625,969)
Furniture, machinery, and equipment	<u>(5,414,381)</u>	<u>(671,019)</u>	<u>306,630</u>	<u>(5,778,770)</u>
Total buildings and other capital assets	<u>(27,848,097)</u>	<u>(2,543,165)</u>	<u>697,752</u>	<u>(29,693,510)</u>
Net capital assets	<u>\$ 58,640,707</u>	<u>\$ (992,783)</u>	<u>\$ (1,144,541)</u>	<u>\$ 56,503,383</u>

NOTE 6 – NON-CURRENT LIABILITIES

Non-current liability activity for the year ended August 31, 2019 was as follows:

	Balance September 1, 2018	Additions	Reductions	Balance August 31, 2019	Current Portion
Leases, bonds and notes					
Leases	\$ 93,887	\$ -	\$ (25,602)	\$ 68,285	\$ 27,431
Bonds	23,380,000	-	(1,590,000)	21,790,000	1,635,000
Unamortized bond premium	1,033,864	-	(244,106)	789,758	-
Notes payable	185,648	-	(40,647)	145,001	42,527
Net pension liability	3,350,576	2,607,573	-	5,958,149	-
Net OPEB liability	<u>20,010,487</u>	<u>2,169,904</u>	<u>(542,234)</u>	<u>21,638,157</u>	<u>318,293</u>
Total long-term liabilities	<u>\$ 48,054,462</u>	<u>\$ 4,777,477</u>	<u>\$ (2,442,589)</u>	<u>\$ 50,389,350</u>	<u>\$ 2,023,251</u>

Howard County Junior College District  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2019 and 2018

NOTE 6 – NON-CURRENT LIABILITIES – Continued

Non-current liability activity for the year ended August 31, 2018 was as follows:

	Balance September 1, 2017	Additions	Reductions	Balance August 31, 2018	Current Portion
Leases, bonds and notes					
Leases	\$ 118,487	\$ -	\$ (24,600)	\$ 93,887	\$ 25,600
Bonds	24,930,000	-	(1,550,000)	23,380,000	1,590,000
Unamortized bond premium	1,328,102	-	(294,238)	1,033,864	-
Notes payable	224,484	-	(38,836)	185,648	40,649
Net pension liability	3,785,734	663	(435,821)	3,350,576	-
Net OPEB liability	<u>23,908,279</u>	<u>2,073,297</u>	<u>(5,971,089)</u>	<u>20,010,487</u>	<u>101,535</u>
Total long-term liabilities	<u>\$ 54,295,086</u>	<u>\$ 2,073,960</u>	<u>\$ (8,314,584)</u>	<u>\$ 48,054,462</u>	<u>\$ 1,757,784</u>

NOTE 7 – DEBT AND LEASE OBLIGATIONS

Debt service requirements at August 31, 2019, were as follows:

For the year ending August 31,	Bonds	
	Principal	Interest
2020	\$ 1,635,000	\$ 824,929
2021	1,685,000	774,076
2022	1,750,000	710,673
2023	1,820,000	644,953
2024	1,890,000	576,423
2025-2029	9,305,000	1,582,823
2030-2034	<u>3,705,000</u>	<u>337,636</u>
	<u>\$ 21,790,000</u>	<u>\$ 5,451,513</u>

Obligations under capital leases at August 31, 2019, were as follows:

For the year ending August 31,	
2020	\$ 31,228
2021	28,184
2022	<u>15,040</u>
	74,452
Less interest portion	<u>6,167</u>
Present value of net minimum lease payments	68,285
Less current portion	<u>27,431</u>
Noncurrent portion	<u>\$ 40,854</u>

Howard County Junior College District  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2019 and 2018

NOTE 8 – BONDS PAYABLE

General information related to bonds payable is summarized below:

- General Obligation Refunding Bonds, Series 2016.
  - Refunded \$13,840,000 of the General Obligation Bonds, Series 2007.
  - Issued refunding bonds on September 28, 2016.
  - \$12,780,000, all authorized bonds have been issued.
  - Source of revenue for debt service – continuing direct annual ad valorem tax levied by the District on all taxable property therein.
  - \$10,715,000 and \$11,720,000 outstanding as of August 31, 2019 and 2018, respectively.

The range of installment payments on an annual basis is from \$1,025,000 to \$1,400,000 with interest rates ranging from 2.00% to 5.00%, with the final installment due February 15, 2028.

- Consolidated Fund Revenue Bonds, Series 2013.
  - Construction and equipment for two college buildings and related infrastructure.
  - Issued June 1, 2013.
  - \$10,600,000: \$9,790,000 “Tax-Exempt Bonds” and \$810,000 “Taxable Bonds”; all authorized bonds have been issued.
  - Source of revenue for debt service – tuition pledge, building use fees, student service fees, lab fees, other fees, gross revenue of Auxiliary Services, and investment earnings on all investments.
  - \$8,640,000 and \$9,060,000 outstanding as of August 31, 2019 and 2018, respectively.

The range of installment payments on an annual basis is from \$435,000 to \$740,000 with an interest rate of 3.75%, with the final installment due October 1, 2033.

- Consolidated Fund Revenue Bonds, Series 2009.
  - Renovations, remodel and construction of student housing facilities.
  - Issued November 1, 2009.
  - \$3,570,000; all authorized bonds have been issued.
  - Source of revenue for debt service – tuition pledge, building use fees, student service fees, lab fees, gross revenue of Auxiliary Services, other fees, and investment earnings on all investments.
  - \$2,435,000 and \$2,600,000 outstanding as of August 31, 2019 and 2018, respectively.

The range of installment payments on an annual basis is from \$175,000 to \$275,000 with an interest rate of 4.60%, with the final installment due October 1, 2029.

NOTE 9 – CAPITAL LEASE AGREEMENTS

Certain leases to finance the purchase of equipment are capitalized at the present value of future minimum lease payments. The original capitalized cost of all such equipment under capital leases as of August 31, 2019 and 2018, is \$132,444 and \$132,444, respectively, and accumulated amortization on those assets is \$68,884 and \$42,394, respectively, as of August 31, 2019 and 2018. Amortization expense on assets recorded under capital leases is included with depreciation expense.

Howard County Junior College District  
 NOTES TO THE FINANCIAL STATEMENTS  
 August 31, 2019 and 2018

NOTE 10 – OPERATING LEASE AGREEMENTS

The District entered into a lease beginning September 1, 2008 for a facility under a long-term, non-cancelable operating lease agreement. The lease was renewed in 2018 and expires in 2023. Lease expenses under these leases were \$166,370 and \$166,370 for the years ended August 31, 2019 and 2018, respectively.

The following is a schedule by year of future minimum rental payments required under the operating lease agreements:

For the year ending	
<u>August 31,</u>	
2020	\$ 166,370
2021	166,370
2022	166,370
2023	166,370

NOTE 11 – NOTES PAYABLE

The District has notes payable consisting of the following at August 31, 2019:

4.50% note payable, payable in monthly installments of \$4,023, maturing November 2022, collateralized by the District’s bank deposits	\$ 145,001
Less current maturities	<u>42,527</u>
	<u>\$ 102,474</u>

The following is a schedule by year of future maturities required under the notes:

<u>Year ending August 31,</u>	
2020	\$ 42,527
2021	44,524
2022	46,599
2023	<u>11,351</u>
	<u>\$ 145,001</u>

NOTE 12 – ENDOWMENTS

When spending an endowment’s net appreciation, donor established guidelines are followed. If the donor does not provide specific guidelines, State law permits the Board of Trustees to authorize the expenditure of net appreciation of an endowment. The Scholarship Committee meets each semester to review awards and insure endowment guidelines are followed. District investment policy specifies permissible investments of endowment funds with maturity dates matching semester scholarship requirements.

At August 31, 2019, net appreciation on investment of donor-restricted endowments available for authorization for expenditure was \$23,981 of which \$23,921 was restricted for student aid, instruction, and athletics.

At August 31, 2018, net appreciation on investment of donor-restricted endowments available for authorization for expenditure was \$14,040, of which \$14,005 was restricted for student aid, instruction, and athletics.

Howard County Junior College District  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2019 and 2018

NOTE 13 – DEFINED BENEFIT PENSION PLANS

**Plan Description**

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). The TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

**Pension Plan Fiduciary Net Position**

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2018.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2018.pdf) or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**Benefits Provided**

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using a 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, whose formulas use the three highest annual salaries. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLA). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

**Contributions**

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Howard County Junior College District  
 NOTES TO THE FINANCIAL STATEMENTS  
 August 31, 2019 and 2018

NOTE 13 – DEFINED BENEFIT PENSION PLANS - Continued

Employee contribution rates are set in state statute, Texas Government Code 825.402. The 85<sup>th</sup> Texas Legislature, General Appropriations Act (GAA), established the employer contribution rates for fiscal years 2019 and 2018.

	<u>Contribution Rates</u>	
	<u>2019</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
	<u>2019</u>	<u>2018</u>
Member Contributions	\$ 679,910	\$ 664,354
State of Texas On-behalf Contributions	\$ 224,531	\$ 202,938
District Contributions	\$ 370,775	\$ 367,476

The District’s contributions to the TRS pension plan in 2019 and 2018 were \$370,775 and \$367,476, respectively, as reported in the Schedule of District Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2019 were \$219,990.

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Public junior colleges or junior college districts are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member’s first 90 days of employment.
- When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Howard County Junior College District  
 NOTES TO THE FINANCIAL STATEMENTS  
 August 31, 2019 and 2018

NOTE 13 – DEFINED BENEFIT PENSION PLANS - Continued

**Actuarial Assumptions**

The total pension liability in the August 31, 2018, actuarial valuation was determined using the following actuarial assumptions:

• Valuation date	August 31, 2017, rolled forward to August 31, 2018
• Actuarial cost method	Individual entry age normal
• Asset valuation method	Market value
• Single discount rate	6.907%
• Long-term expected investment rate of return	7.25%
• Municipal Bond Rate*	3.69%
• Last year ending August 31 in the 2017 to 2116 Projection period (100 years)	2116
• Inflation	2.3%
• Salary increases including inflation	3.05% to 9.05%
• Benefit changes during the year	None
• Ad hoc post-employment benefit changes	None

\* Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-Year Municipal GO AA Index.”

The actuarial methods and assumptions were selected by the board of trustees based upon analysis and recommendations by the system’s actuary. The board of trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period. Assumptions, methods, and plan changes were updated from the prior year’s report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including postretirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Howard County Junior College District  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2019 and 2018

NOTE 13 – DEFINED BENEFIT PENSION PLANS - Continued

**Discount Rate**

The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the TRS’s target asset allocation as of August 31, 2018, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>	<u>Expected Contribution to Long-Term Portfolio Returns*</u>
<b>Global Equity</b>			
U.S.	18.0%	5.70%	1.04%
Non-U.S. Developed	13.0%	6.90%	0.90%
Emerging Markets	9.0%	8.95%	0.80%
Directional Hedge Funds	4.0%	3.53%	0.14%
Private Equity	13.0%	10.18%	1.32%
<b>Stable Value</b>			
U.S. Treasuries	11.0%	1.11%	0.12%
Absolute Return	0.0%	0.00%	0.00%
Stable Value Hedge Funds	4.0%	3.09%	0.12%
Cash	1.0%	-0.30%	0.00%
<b>Real Return</b>			
Global Inflation Linked Bonds	3.0%	0.70%	0.02%
Real Assets	14.0%	5.21%	0.73%
Energy and Natural Resources	5.0%	7.48%	0.37%
Commodities	0.0%	0.00%	0.00%
<b>Risk Parity</b>			
Risk Parity	<u>5.0%</u>	3.70%	0.18%
Inflation Expectation			2.30%
Volatility Drag			<u>-0.79%</u>
<b>Total</b>	<u>100.0%</u>		<u>7.25%</u>

\* The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Source: Teacher Retirement System of Texas 2018 Comprehensive Annual Financial Reports

Howard County Junior College District  
 NOTES TO THE FINANCIAL STATEMENTS  
 August 31, 2019 and 2018

NOTE 13 – DEFINED BENEFIT PENSION PLANS - Continued

**Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (6.907%) in measuring the 2019 Net Pension Liability.

	<b>1% Decrease in Discount Rate (5.907%)</b>	<b>Discount Rate (6.907%)</b>	<b>1% Increase in Discount Rate (7.907%)</b>
District’s proportionate share of the net pension liability	\$ 8,992,275	\$ 5,958,149	\$ 3,501,844

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (8%) in measuring the 2018 Net Pension Liability.

	<b>1% Decrease in Discount Rate (7.0%)</b>	<b>Discount Rate (8.0%)</b>	<b>1% Increase in Discount Rate (9.0%)</b>
District’s proportionate share of the net pension liability	\$ 5,648,409	\$ 3,350,576	\$ 1,437,257

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At August 31, 2019 and 2018, the District reported a liability of \$5,958,149 and \$3,350,576, respectively, for its proportionate share of the TRS’s net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

	<u>2019</u>	<u>2018</u>
District’s proportionate share of the collective net pension liability	\$ 5,958,149	\$ 3,350,576
State’s proportionate share that is associated with the District	<u>3,670,932</u>	<u>1,984,031</u>
Total	<u>\$ 9,629,081</u>	<u>\$ 5,334,607</u>

The net pension liability was measured as of August 31, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The employer’s proportion of the net pension liability was based on the employer’s contributions to the pension plan relative to the contributions of all employers to the plan for the periods September 1, 2017 thru August 31, 2018 and September 1, 2016 thru August 31, 2017, respectively.

At the measurement date of August 31, 2018, the employer’s proportion of the collective net pension liability was 0.0108246478%, which was an increase of 0.0003457841% from its proportion measured as of August 31, 2017.

For the year ended August 31, 2019, the District recognized pension expense of \$363,324 and revenue of \$363,324 for support provided by the State. For the year ended August 31, 2018, the District recognized pension expense of \$151,334 and revenue of \$151,334 for support provided by the State. The total payroll for all District employees was \$15,736,287 and \$15,210,166 for the fiscal years ended August 31, 2019 and 2018, respectively. The total payroll of employees covered by the Teacher Retirement System was \$8,853,486 and \$8,638,856 for the fiscal years ended August 31, 2019 and 2018, respectively.

Howard County Junior College District  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2019 and 2018

NOTE 13 – DEFINED BENEFIT PENSION PLANS - Continued

At August 31, 2019, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experience	\$ 37,138	\$ 146,189
Changes in actuarial assumptions	2,148,200	67,131
Net difference between projected and actual investment earnings	-	113,051
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	213,375	619,632
Contributions paid to TRS subsequent to the measurement date	<u>370,775</u>	<u>-</u>
Total	<u>\$2,769,488</u>	<u>\$ 946,003</u>

The \$370,775 reported as deferred outflows of resources related to pensions, resulting from contributions paid to TRS subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending August 31, 2020.

At August 31, 2018, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experience	\$ 49,020	\$ 180,692
Changes in actuarial assumptions	152,624	87,374
Net difference between projected and actual investment earnings	-	244,182
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	136,064	810,964
Contributions paid to TRS subsequent to the measurement date	<u>367,476</u>	<u>-</u>
Total	<u>\$ 705,184</u>	<u>\$1,323,212</u>

The \$367,476 reported as deferred outflows of resources related to pensions, resulting from contributions paid to TRS subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending August 31, 2019.

The net amounts of the employer’s balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>For the year ending August 31,</u>	<u>Pension Expense Amount</u>
2020	\$ 325,916
2021	88,013
2022	46,998
2023	352,516
2024	391,914
Thereafter	<u>247,353</u>
	<u>\$ 1,452,710</u>

Howard County Junior College District  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2019 and 2018

NOTE 14 – DEFINED CONTRIBUTION PENSION PLANS

**Optional Retirement Plan – Defined Contribution Plan**

*Plan Description.* Participation in the Optional Retirement Plan Program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended by the Texas Legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.6 percent and 6.65 percent, respectively. The District contributes 0.71 percent for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. S.B.1812, effective September 1, 2013, limits the amount of the state’s contribution to 50% of eligible employees in the reporting district.

The retirement expense to the State for the District was \$149,634 and \$139,893 for the fiscal years ended August 31, 2019 and 2018, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the District.

The total payroll for all District employees was \$15,736,287 and \$15,210,166 for the fiscal years ended August 31, 2019 and 2018, respectively. The total payroll of employees covered by the Optional Retirement System was \$4,830,273 and \$4,431,213 for the fiscal years ended August 31, 2019 and 2018, respectively.

NOTE 15 – DEFERRED COMPENSATION PROGRAM

District employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Texas Government Code 609.001. The plan is essentially an unfunded promise to pay by the employer to each of the plan participants. The District had no employees participating in the program during the years ended August 31, 2019 and 2018.

NOTE 16 – COMPENSABLE ABSENCES

All full-time exempt and non-exempt employees working twelve months are entitled to accrue paid vacation time from the date of employment. On September 1, current employees are credited 80 hours to be used during the year. Employees hired after September 1 accrue vacation time at 6.67 hours each month worked. The monthly vacation credit may be pro-rated if the employee’s regular work week is less than 38 hours in the fall and spring; and 36 hours in the summer. The District’s policy allows employees to carry their accrued leave forward from one fiscal year to the next fiscal year with a maximum accrual of 160 hours per employee. The District recognizes the accrued liability at August 31, 2019 and 2018 of \$272,727 and \$257,488, respectively, for the unpaid annual leave in the Unrestricted Current Fund. Sick leave is earned at the rate of 8 hours per month for non-faculty and 6 hours per month for faculty and may be pro-rated if the employee’s work week is less than 38 hours. The maximum sick leave that may be accumulated is 720 hours. The District’s policy is to recognize the cost of sick leave when paid. The liability is not recorded in the financial statements because experience indicates the expenditure for sick leave to be minimal.

Howard County Junior College District  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2019 and 2018

NOTE 17 – HEALTH CARE AND LIFE INSURANCE BENEFITS

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee was \$624.82 per month for the year ended August 31, 2019 (\$621.90 per month for 2018) and totaled \$1,458,888 for 2019 (\$921,235 for the year 2018). The cost of providing those benefits for 120 retirees in the year ended 2019 was \$457,347 (retiree benefits for 109 retirees cost \$300,873 in 2018). For 220 active employees, the cost of providing benefits was \$1,001,541 for the year ended 2019 (active employee benefits for 232 employees cost \$620,362 for the year ended 2018). S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

NOTE 18 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

**Plan Description**

The District participates in a cost-sharing, multiple-employer, other post-employment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain postemployment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

**OPEB Plan Fiduciary Net Position**

Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained on the Internet at <https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377.

**Benefits Provided**

Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least 10 years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

Howard County Junior College District  
 NOTES TO THE FINANCIAL STATEMENTS  
 August 31, 2019 and 2018

NOTE 18 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

**Contributions**

Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

The following table summarizes the maximum monthly employer contribution toward eligible retirees' health and basic life premium. Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. As the non-employer contributing entity (NECE), the State of Texas pays part of the premiums for the junior and community colleges.

Maximum Monthly Employer Contribution  
Retiree Health and Basic Life Premium

	<u>2018</u>	<u>2017</u>
Retiree only	\$ 622	\$ 617
Retiree and spouse	978	971
Retiree and children	860	854
Retiree and family	1,217	1,208

Contributions of premiums to the GBP plan for the current and prior fiscal year by source is summarized in the following table.

	<u>2019</u>	<u>2018</u>
Employers	\$ 2,120,875	\$ 2,033,603
Members (Employees)	\$ 655,828	\$ 633,197
Nonemployer Contributing Entity (State of Texas)	\$ 1,381,433	\$ 1,395,340

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of August 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Valuation date August 31, 2018
- Actuarial cost method Entry age
- Amortization method Level percent of payroll, open
- Remaining amortization period 30 years
- Asset valuation method Not applicable
- Discount rate 3.96%
- Projected annual salary increase  
 (includes inflation) 2.50% to 9.50%, including inflation
- Annual healthcare trend rate 7.30% for FY 2020, 7.40% for FY 2021, 7.00%  
 for FY 2022, decreasing 0.5% per year to 4.50%  
 for FY 2027 and later years

Howard County Junior College District  
 NOTES TO THE FINANCIAL STATEMENTS  
 August 31, 2019 and 2018

NOTE 18 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

<ul style="list-style-type: none"> <li>• Inflation assumption rate</li> <li>• Ad hoc post-employment benefit changes</li> <li>• Mortality assumptions           <ul style="list-style-type: none"> <li>Service retirees, survivors and other inactive members</li> <li>Disability retirees</li> <li>Active members</li> </ul> </li> </ul>	<p>2.50%</p> <p>None</p> <p>Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018</p> <p>Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members</p> <p>Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014</p>
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Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2010 to August 31, 2017 for Higher Education members.

**Investment Policy**

The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System’s Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in this plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

**Discount Rate**

Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 3.51%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.96%, which amounted to an increase of 0.45%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds’ average credit quality is roughly equivalent to Moody’s Investors Service’s Aa2 rating and Standard & Poor’s Corp’s AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

**Discount Rate Sensitivity Analysis**

The following schedule shows the impact on the District’s proportionate share of the collective net OPEB liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.96%) in measuring the 2019 net OPEB Liability.

Howard County Junior College District  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2019 and 2018

NOTE 18 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

	<b>1% Decrease in Discount Rate (2.96%)</b>	<b>Discount Rate (3.96%)</b>	<b>1% Increase in Discount Rate (4.96%)</b>
District’s proportionate share of the net OPEB liability	\$25,689,527	\$21,638,156	\$18,571,726

The following schedule shows the impact on the District’s proportionate share of the collective net OPEB liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.51%) in measuring the 2018 net OPEB Liability.

	<b>1% Decrease in Discount Rate (2.51%)</b>	<b>Discount Rate (3.51%)</b>	<b>1% Increase in Discount Rate (4.51%)</b>
District’s proportionate share of the net OPEB liability	\$23,886,674	\$20,010,487	\$17,008,034

**Healthcare Trend Rate Sensitivity Analysis**

The initial healthcare trend rate is 7.3% and the ultimate rate is 4.5%. The following schedule shows the impact on the District’s proportionate share of the collective net OPEB liability if the healthcare cost trend rate used was 1 percent less than (6.3% decreasing to 3.5%) and 1 percent greater than (8.3% decreasing to 5.5%) the healthcare cost trend rate that was used in measuring the 2019 net OPEB liability.

	<b>1% Decrease (6.3% decreasing to 3.5%)</b>	<b>Current Healthcare Cost Trend Rates (7.3% decreasing to 4.5%)</b>	<b>1% Increase (8.3% decreasing to 5.5%)</b>
District’s proportionate share of the net OPEB liability	\$18,324,721	\$21,638,156	\$25,912,497

The initial healthcare trend rate is 8.5% and the ultimate rate is 4.5%. The following schedule shows the impact on the District’s proportionate share of the collective net OPEB liability if the healthcare cost trend rate used was 1 percent less than (7.5% decreasing to 3.5%) and 1 percent greater than (9.5% decreasing to 5.5%) the healthcare cost trend rate that was used in measuring the 2018 net OPEB liability.

	<b>1% Decrease (7.5% decreasing to 3.5%)</b>	<b>Current Healthcare Cost Trend Rates (8.5% decreasing to 4.5%)</b>	<b>1% Increase (9.5% decreasing to 5.5%)</b>
District’s proportionate share of the net OPEB liability	\$16,822,214	\$20,010,487	\$24,147,453

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At August 31, 2019 and 2018, the District reported a liability of \$21,638,156 and \$20,010,487, respectively, for its proportionate share of the ERS’s net OPEB liability. This liability reflects a reduction for State support provided to the District for OPEB. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

Howard County Junior College District  
 NOTES TO THE FINANCIAL STATEMENTS  
 August 31, 2019 and 2018

NOTE 18 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

	2019	2018
District’s proportionate share of the collective net OPEB liability	\$21,638,156	\$20,010,487
State’s proportionate share that is associated with the District	14,094,031	17,214,177
Total	\$35,732,187	\$37,224,664

The net OPEB liability was measured as of August 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net OPEB liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At the measurement date of August 31, 2018, the employer’s proportion of the collective net OPEB liability was 0.07300879%, which was an increase of .01428053% from its proportion measured as of August 31, 2017.

For the year ended August 31, 2019, the District recognized OPEB expense of \$1,297,651 and revenue of \$1,297,651 for support provided by the State. For the year ended August 31, 2018, the District recognized OPEB expense of \$921,236 and revenue of \$921,236 for support provided by the State.

**Changes Since the Prior Actuarial Valuation**

Changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period were as follows:

- Demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases have been updated to reflect assumptions recently adopted by the ERS Trustees. These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.
- Assumed Expenses, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and Expense trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence, and the percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was increased from 3.51% to 3.96% as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect at the measurement date.

**Changes of Benefit Terms Since Prior Measurement Date**

The following benefit revisions have been adopted since the prior valuation:

- an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect for the HealthSelect retirees and dependents for whom Medicare is not primary.

This minor benefit change has been reflected in the fiscal year 2019 Assumed Per Capita Health Benefit Costs.

Howard County Junior College District  
 NOTES TO THE FINANCIAL STATEMENTS  
 August 31, 2019 and 2018

NOTE 18 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

At August 31, 2019, the District reported its proportionate share of the ERS plan’s collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 792,752
Changes in actuarial assumptions	-	7,582,600
Difference between projected and actual investment earnings	10,247	-
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	4,879,466	-
Contributions paid to ERS subsequent to the measurement date	<u>198,752</u>	<u>-</u>
Total	<u>\$5,088,465</u>	<u>\$8,375,352</u>

The \$198,752 reported as deferred outflows of resources related to OPEB, resulting from contributions paid to ERS subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended August 31, 2020.

At August 31, 2018, the District reported its proportionate share of the ERS plan’s collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 240,462
Changes in actuarial assumptions	-	4,183,955
Difference between projected and actual investment earnings	5,924	-
Contributions paid to ERS subsequent to the measurement date	<u>2,033,603</u>	<u>-</u>
Total	<u>\$2,039,527</u>	<u>\$4,424,417</u>

The \$2,033,603 reported as deferred outflows of resources related to OPEB, resulting from contributions paid to ERS subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended August 31, 2019.

The net amounts of the employer’s balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the year ending August 31,</u>	<u>OPEB Expense Amount</u>
2020	\$(1,069,346)
2021	(1,069,346)
2022	(1,069,346)
2023	(377,461)
2024	<u>99,860</u>
	<u><u>\$(3,485,639)</u></u>

Howard County Junior College District  
 NOTES TO THE FINANCIAL STATEMENTS  
 August 31, 2019 and 2018

NOTE 19 – DISAGGREGATION OF RECEIVABLES BALANCES

Receivables at August 31 were as follows:

	2019	2018
Student receivables	\$ 2,297,245	\$ 2,304,981
Taxes receivable	775,992	729,152
Federal receivable	272,680	499,249
Accounts receivable	350,557	312,912
Gross receivables	3,696,474	3,846,294
Less: allowance for uncollectible accounts	(866,955)	(828,329)
Net total receivables	\$ 2,829,519	\$ 3,017,965

NOTE 20 – CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal and non-federal contract and grant awards, funds expended, but not collected, are reported as Accounts Receivable on Exhibit 1. For federal and non-federal contract and grant awards, funds collected, but not expended, are reported as Unearned Revenue on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2019 and 2018 for which monies have not been received nor funds expended totaled \$1,499,075 and \$2,106,588, respectively. Of these amounts, \$1,298,911 and \$1,615,413 were from Federal Contract and Grant Awards; \$76,913 and \$348,400 were from State Contract and Grant Awards; \$68,094 and \$142,775 were from Local Contract and Grant Awards; and \$55,157 and \$0 were from Private Contract and Grant Awards for the fiscal years ended August 31, 2019 and 2018, respectively.

NOTE 21 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries appropriate commercial insurance. For the years ended August 31, 2019 and 2018, the District also participated in a pool for its workers' compensation program.

Beginning in the year 2000, the District elected participation in the Texas Public and Junior Community College Employee Benefits Consortium. This pool is exclusively for public community and junior college entities thus providing a preferred risk pool for workers' compensation coverage. Under this agreement, the pool retains liability for claims under \$1,000,000 or less per incident and purchases commercial insurance for claims in excess of the liability retained by the pool. The reinsurance covers losses to the specific and aggregate statutory limits required by the State of Texas. There was no significant reduction in insurance coverage from the year ended August 31, 2018 to the year ended August 31, 2019, and no settlements exceeded insurance for any of the past three fiscal years.

The claims liability of \$86,804 and \$78,208 reported in accrued liabilities at August 31, 2019 and 2018, respectively, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated based on actuarial calculations. Changes in the fund's claims liability amount in fiscal years 2019 and 2018 were:

Howard County Junior College District  
 NOTES TO THE FINANCIAL STATEMENTS  
 August 31, 2019 and 2018

NOTE 21 – RISK MANAGEMENT - Continued

	August 31, 2019	August 31, 2018
Balance at beginning of year	\$ 78,208	\$ 80,516
Current year claims and changes in estimates	24,481	22,596
Claims paid	(15,885)	(24,904)
Balance at end of year	\$ 86,804	\$ 78,208

NOTE 22 – PROPERTY TAXES

The District’s ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District.

As of August 31,:

	2019	2018
Assessed valuation of the District	\$ 5,258,561,863	\$ 3,861,229,021
Less: Abatements	249,592,610	289,874,408
Less: Exemptions	701,932,167	626,849,768
Net assessed valuation of the District	\$ 4,307,037,086	\$ 2,944,504,845

	2019			2018		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized Tax Rate per \$100 Valuation (Maximum per enabling legislation)	0.700000	0.000000	0.700000	0.700000	0.000000	0.700000
Assessed Tax Rate per \$100 Valuation	0.200152	0.032164	0.232316	0.265831	0.048454	0.314285

Taxes levied for the years ended August 31, 2019 and 2018, were \$10,965,904 and \$9,453,161, respectively, including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

	2019			2018		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current taxes collected	\$ 9,241,472	\$ 1,378,413	\$ 10,619,885	\$ 7,770,741	\$ 1,398,376	\$ 9,169,117
Delinquent taxes collected	299,368	54,114	353,482	102,258	22,450	124,708
Penalties and interest collected	109,131	21,136	130,267	91,717	19,782	111,499
Total collections	\$ 9,649,971	\$ 1,453,663	\$ 11,103,634	\$ 7,964,716	\$ 1,440,608	\$ 9,405,324

Howard County Junior College District  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2019 and 2018

NOTE 22 – PROPERTY TAXES - Continued

Tax collections for the years ended August 31, 2019 and 2018, were 97.83% and 97.07% of the current tax levy, respectively. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to maintenance, operations, and debt service.

NOTE 23 - TAX ABATEMENTS

The District has entered into property tax abatement agreements with local businesses under Texas Code Chapter 312, and as amended by the Tax Abatement Guidelines and Criteria adopted by Howard College. Under the Act, localities may grant property tax abatements of up to 100 percent of a business's property tax bill for attracting or retaining business within their jurisdictions. The abatements may be granted to any qualifying business located within or promising to relocate to the service area of the District.

For the fiscal years ended August 31, 2019 and 2018, the District abated property taxes totaling \$315,366 and \$650,567, respectively, under this program.

NOTE 24 – COMMITMENTS AND CONTINGENCIES

The District has received financial assistance from federal and state agencies in the form of grants. The acceptance of such grants requires compliance with special regulations and grant provisions, and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material adverse effect on the District's financial position at August 31, 2019.

The District has received appropriations from the State for the operation of the Southwest Collegiate Institute for the Deaf. The acceptance of these funds requires compliance with special purchasing regulations, and is subject to audit by the State. Any disallowed expenditures would have to be reimbursed by the District. However, in the opinion of management, the possible reimbursements, if any, will not have a material adverse effect on the District's financial position at August 31, 2019.

NOTE 25 – INCOME TAXES

The District is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The District had no unrelated business income tax liability for the years ended August 31, 2019 and 2018.

REQUIRED SUPPLEMENTARY INFORMATION

Howard County Junior College District  
 SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
 Year ended August 31,  
 (unaudited)

<u>Fiscal year ended August 31,*</u>	<u>2019**</u>	<u>2018**</u>
TRS net position as percentage of total pension liability	73.74%	82.17%
District's proportionate share of collective net pension liability (NPL) (%)	0.0108246%	0.0104789%
District's proportionate share of collective net pension liability (\$)	\$ 5,958,149	\$ 3,350,576
Portion of NECE's total proportionate share of NPL associated with the District	<u>3,670,932</u>	<u>1,984,031</u>
Total	<u>\$ 9,629,081</u>	<u>\$ 5,334,607</u>
District's covered payroll amount	\$ 8,638,856	\$ 7,831,407
Ratio of: District's proportionate share of collective NPL / District's covered payroll amount	68.97%	42.78%

\* The amounts presented above are as of the measurement date of the collective net pension liability.

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

<u>2017**</u>	<u>2016**</u>	<u>2015**</u>
78.00%	78.43%	83.25%
0.0100182%	0.0111276%	0.0141531%
\$ 3,785,734	\$ 3,933,458	\$ 3,780,489
<u>2,393,316</u>	<u>2,417,113</u>	<u>1,950,379</u>
<u>\$ 6,179,050</u>	<u>\$ 6,350,571</u>	<u>\$ 5,730,868</u>
\$ 7,598,544	\$ 7,789,830	\$ 7,968,685
49.82%	50.49%	47.44%

Howard County Junior College District  
 SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS  
 Year ended August 31,  
 (unaudited)

Fiscal year ended August 31,*	2019**	2018**
Legally required contributions	\$ 370,775	\$ 367,476
Actual contributions	370,775	367,476
Contributions deficiency (excess)	\$ -	\$ -
 District's covered employee payroll amount	 \$8,853,486	 \$8,638,856
Ratio of: Actual contributions / employer covered payroll amount	4.19%	4.25%

\* The amounts presented above are as of the District's most recent fiscal year end.

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

<u>2017**</u>	<u>2016**</u>	<u>2015**</u>
\$ 329,473	\$ 318,304	\$ 57,829
<u>329,473</u>	<u>318,304</u>	<u>57,829</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$7,831,407	\$7,598,544	\$7,789,830
4.21%	4.19%	0.74%

Howard County Junior College District  
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET OPEB LIABILITY  
EMPLOYEE RETIREMENT SYSTEM OF TEXAS  
STATE RETIREE HEALTH PLAN  
Year ended August 31,  
(unaudited)

Fiscal year ended August 31,*	2019**	2018**
District's proportion of collective net OPEB liability (%)	0.0730088%	0.0587283%
District's proportionate share of collective net OPEB liability (\$)	\$ 21,638,156	\$20,010,487
State's proportionate share of net OPEB liability associated with District	14,094,031	17,214,177
Total	<u>\$ 35,732,187</u>	<u>\$37,224,664</u>
District's covered-employee payroll	\$ 14,091,947	\$12,166,104
District's proportionate share of collective net OPEB liability as a percentage of covered-employee payroll	153.55%	164.48%
Plan fiduciary net position as percentage of the total OPEB liability	1.30%	2.00%

\* The amounts presented above are as of the measurement date of the collective net OPEB liability.

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Howard County Junior College District  
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OPEB  
EMPLOYEE RETIREMENT SYSTEM OF TEXAS  
STATE RETIREE HEALTH PLAN  
Year ended August 31,  
(unaudited)

Fiscal year ended August 31,*	2019**	2018**
Legally required contributions	\$ 2,078,634	\$ 2,029,222
Actual contributions	<u>2,078,634</u>	<u>2,029,222</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll amount	 \$ 13,314,277	 \$ 14,091,947
Contributions as a percentage of covered-employee payroll	15.61%	14.40%

\* The amounts presented above are as of the District's most recent fiscal year end.

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SUPPLEMENTARY INFORMATION

## SCHEDULES

Howard County Junior College District  
SCHEDULE OF OPERATING REVENUES  
Schedule A  
Year Ended August 31, 2019  
(With Memorandum Totals for the Year Ended August 31, 2018)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>
<b>Tuition</b>				
State Funded Credit Courses				
In-District Resident Tuition	\$ 832,646	\$ -	\$ 832,646	\$ -
Out-of-District Resident Tuition	6,187,384	-	6,187,384	-
TPEG-credit (set aside)*	75,059	-	75,059	-
Non-Resident Tuition	658,471	-	658,471	-
State Funded Continuing Education	322,376	-	322,376	-
TPEG-non-credit (set aside)*	20,449	-	20,449	-
Non-State Funded Continuing Education	21,810	-	21,810	-
Total tuition	<u>8,118,195</u>	<u>-</u>	<u>8,118,195</u>	<u>-</u>
<b>Fees</b>				
Building use fee	-	-	-	1,111,632
General fees	24,773	-	24,773	-
Student service fee	-	-	-	152,223
Lab / course fees	677,162	-	677,162	-
Total fees	<u>701,935</u>	<u>-</u>	<u>701,935</u>	<u>1,263,855</u>
<b>Scholarship allowances and discounts</b>				
Scholarship allowances	(216,349)	(524,412)	(740,761)	(177,500)
Remissions and exemptions	(1,287,555)	-	(1,287,555)	61,678
TPEG allowances	-	(89,522)	(89,522)	-
Federal grants to students	-	(3,149,118)	(3,149,118)	-
Other state	-	(245,172)	(245,172)	-
Total scholarship allowances	<u>(1,503,904)</u>	<u>(4,008,224)</u>	<u>(5,512,128)</u>	<u>(115,822)</u>
<b>Total net tuition and fees</b>	<u>7,316,226</u>	<u>(4,008,224)</u>	<u>3,308,002</u>	<u>1,148,033</u>
<b>Other operating revenues</b>				
Federal grants and contracts	13,394	1,730,063	1,743,457	-
State grants and contracts	-	916,611	916,611	-
Local grants and contracts	-	116,246	116,246	-
Nongovernmental grants and contracts	1,550	860,413	861,963	3,909
Sales and services of educational activities	435,006	-	435,006	-
Investment income (program restricted)	-	26,659	26,659	-
Other operating revenues	696,899	14,436	711,335	-
<b>Total other operating revenues</b>	<u>1,146,849</u>	<u>3,664,428</u>	<u>4,811,277</u>	<u>3,909</u>
<b>Auxiliary enterprises</b>				
Intercollegiate athletics	-	-	-	54,188
Diagnostic center	-	-	-	2,500
Residential life, net of discounts of \$1,040,386 and \$1,034,407	-	-	-	152,508
Bookstore, net of discounts of \$69,032 and \$69,717**	-	-	-	44,922
<b>Total net auxiliary enterprises</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>254,118</u>
<b>Total operating revenues (Exhibit 2)</b>	<u>\$ 8,463,075</u>	<u>\$ (343,796)</u>	<u>\$ 8,119,279</u>	<u>\$ 1,406,060</u>

\* In accordance with Education Code 56.033, \$95,508 and \$94,313 of tuition was set aside for Texas Public Education Grants (TPEG)

\*\* The bookstore auxiliary operations are outsourced.

<u>2019</u>	<u>2018</u>
<u>Total</u>	<u>Total</u>
\$ 832,646	\$ 888,073
6,187,384	6,017,008
75,059	77,506
658,471	755,383
322,376	252,976
20,449	16,807
21,810	11,257
<u>8,118,195</u>	<u>8,019,010</u>
1,111,632	1,012,790
24,773	16,180
152,223	154,849
677,162	643,872
<u>1,965,790</u>	<u>1,827,691</u>
(918,261)	(968,708)
(1,225,877)	(1,078,664)
(89,522)	(81,024)
(3,149,118)	(3,017,224)
(245,172)	(201,270)
<u>(5,627,950)</u>	<u>(5,346,890)</u>
<u>4,456,035</u>	<u>4,499,811</u>
1,743,457	2,051,749
916,611	639,777
116,246	55,972
865,872	957,549
435,006	430,979
26,659	15,636
711,335	567,885
<u>4,815,186</u>	<u>4,719,547</u>
54,188	58,181
2,500	8,574
152,508	101,155
44,922	58,407
<u>254,118</u>	<u>226,317</u>
<u>\$ 9,525,339</u>	<u>\$ 9,445,675</u>
(Exhibit 2)	(Exhibit 2)

Howard County Junior College District  
SCHEDULE OF OPERATING EXPENSES BY OBJECT  
Schedule B  
Year ended August 31, 2019  
(With Memorandum Totals for the Year ended August 31, 2018)

	Operating Expenses				2019 Total	2018 Total
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 6,958,413	\$ -	\$2,186,360	\$ 937,169	\$10,081,942	\$ 8,799,405
Public service	465,422	-	241,661	6,155	713,238	421,140
Academic support	1,004,145	-	295,781	438,146	1,738,072	1,649,400
Student services	1,611,974	-	707,833	238,892	2,558,699	1,911,315
Institutional support	3,172,922	-	2,131,261	2,253,517	7,557,700	6,144,332
Operation and maintenance of plant	1,116,214	-	712,080	2,705,138	4,533,432	3,683,221
Scholarships and fellowships	-	-	-	24,231	24,231	33,942
Total Unrestricted - Educational Activities	<u>14,329,090</u>	<u>-</u>	<u>6,274,976</u>	<u>6,603,248</u>	<u>27,207,314</u>	<u>22,642,755</u>
Restricted - Educational Activities						
Instruction	61,395	732,400	15,026	290,135	1,098,956	594,671
Public service	524,128	-	145,603	102,225	771,956	940,888
Academic support	1,294	101,958	291	6,866	110,409	110,620
Student services	180,208	211,891	55,907	154,859	602,865	573,159
Institutional support	11,809	741,153	5,777	288,681	1,047,420	903,621
Operation and maintenance of plant	-	23,207	-	14,284	37,491	12,376
Scholarships and fellowships	-	-	-	2,193,647	2,193,647	2,094,657
Total Restricted - Educational Activities	<u>778,834</u>	<u>1,810,609</u>	<u>222,604</u>	<u>3,050,697</u>	<u>5,862,744</u>	<u>5,229,992</u>
Total Educational Activities	15,107,924	1,810,609	6,497,580	9,653,945	33,070,058	27,872,747
Auxiliary Enterprises	567,996	-	182,683	1,710,891	2,461,570	2,349,049
Depreciation Expense - Buildings and other real estate improvements	-	-	-	1,854,060	1,854,060	1,851,861
Depreciation Expense - Equipment and furniture	-	-	-	763,644	763,644	691,305
Total Operating Expenses (Exhibit 2)	<u>\$15,675,920</u>	<u>\$1,810,609</u>	<u>\$6,680,263</u>	<u>\$13,982,540</u>	<u>\$38,149,332</u> (Exhibit 2)	<u>\$32,764,962</u> (Exhibit 2)

Howard County Junior College District  
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES  
Schedule C  
Year Ended August 31, 2019  
(With Memorandum Totals for the Year Ended August 31, 2018)

	Unrestricted	Restricted	Auxiliary Enterprises	2019 Total	2018 Total
<b>NON-OPERATING REVENUES</b>					
State appropriations					
Education and general state support	\$ 9,688,895	\$ -	\$ -	\$ 9,688,895	\$ 9,689,024
State group insurance	-	1,297,651	-	1,297,651	921,236
State retirement matching	-	512,958	-	512,958	291,227
Professional nursing shortage reduction	-	79,089	-	79,089	55,326
Total state appropriations	9,688,895	1,889,698	-	11,578,593	10,956,813
Property taxes for operations	9,691,119	-	-	9,691,119	8,030,086
Property taxes for debt service	-	1,562,512	-	1,562,512	1,462,623
Payments in lieu of taxes	264,472	-	-	264,472	260,465
Federal revenue, non operating	-	5,039,650	-	5,039,650	4,840,235
Investment income (net of investment expenses)	265,300	4,396	-	269,696	114,211
Other non-operating revenue	338,168	27,769	11,754	377,691	434,576
Total non-operating revenues	<u>20,247,954</u>	<u>8,524,025</u>	<u>11,754</u>	<u>28,783,733</u>	<u>26,099,009</u>
<b>NON-OPERATING EXPENSES</b>					
Interest on capital related debt	(652,833)	-	-	(652,833)	(648,653)
Gain (loss) on disposal of fixed assets	(26,861)	-	-	(26,861)	772,158
Total non-operating expenses	<u>(679,694)</u>	<u>-</u>	<u>-</u>	<u>(679,694)</u>	<u>123,505</u>
Net non-operating revenues (Exhibit 2)	<u>\$19,568,260</u>	<u>\$ 8,524,025</u>	<u>\$ 11,754</u>	<u>\$28,104,039</u> (Exhibit 2)	<u>\$26,222,514</u> (Exhibit 2)

Howard County Junior College District  
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY  
Schedule D  
August 31, 2019  
(With Memorandum Totals for August 31, 2018)

	Detail by Source				Total
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	
		Expendable	Non- Expendable		
Current:					
Unrestricted	\$ (13,897,040)	\$ -	\$ -	\$ -	\$ (13,897,040)
Restricted	-	852,780	-	-	852,780
Auxiliary enterprises	1,684,491	-	-	-	1,684,491
Endowment:					
True endowment	-	-	1,154,291	-	1,154,291
Plant:					
Debt service	-	1,817,942	-	-	1,817,942
Investment in plant	-	-	-	32,816,492	32,816,492
 Total Net Position, August 31, 2019	 \$ (12,212,549)	 \$ 2,670,722	 \$ 1,154,291	 \$ 32,816,492	 \$ 24,428,956 (Exhibit 1)
 Total Net Position, August 31, 2018	 (10,995,080)	 2,600,147	 1,167,758	 32,050,901	 24,823,726 (Exhibit 1)
Net Increase (Decrease) in Net Position	<u>\$ (1,217,469)</u>	<u>\$ 70,575</u>	<u>\$ (13,467)</u>	<u>\$ 765,591</u>	<u>\$ (394,770)</u> (Exhibit 2)

Available for  
Current Operations

---

Yes	No
\$ (13,897,040)	\$ -
852,780	-
1,684,491	-
-	1,154,291
-	1,817,942
-	32,816,492
\$ (11,359,769)	\$ 35,788,725
(10,042,916)	34,866,642
\$ (1,316,853)	\$ 922,083

Howard County Junior College District  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Schedule E  
For the Year Ended August 31, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures and Pass-Through Disbursements
<b>U.S. Department of Education</b>				
Direct Programs:				
Student Financial Aid Cluster				
Federal Supplemental Educational Opportunity Grants 18/19	84.007			\$ 91,966
Subtotal Federal Supplemental Educational Opportunity Grants				91,966
Federal College Work-Study Program 18/19	84.033			40,841
Federal College Work-Study Program (100%) 18/19	84.033			7,580
Federal College Work-Study Program 19/20	84.033			161
Subtotal Federal Work-Study Program				48,582
Federal Pell Grant Program 18/19	84.063			4,774,624
Federal Pell Grant Program 19/20	84.063			124,478
Subtotal Federal Pell Grant Program				4,899,102
Federal Direct Student Loans 18/19	84.268			2,338,448
Federal Direct Student Loans 19/20	84.268			11,582
Subtotal Federal Direct Student Loans				2,350,030
Total Student Financial Aid Cluster				7,389,680
Perfecting Achievement in Student Success 16/17	84.031S	P031S150131-16		11,031
Perfecting Achievement in Student Success 17/18	84.031S	P031S150131-17		58,489
Perfecting Achievement in Student Success 18/19	84.031S	P031S150131-18		448,521
Subtotal Perfecting Achievement in Student Success				518,041
Pass through from:				
Texas Workforce Commission				
Adult Education and Literacy Federal 231 - BS 18/19	84.002A	1118ALA000		110,992
Adult Education and Literacy Federal 231 Admin - BS 18/19	84.002A	1118ALA000		3,162
Adult Education and Literacy Federal 225 - BS 18/19	84.002A	1118ALA000		1,000
Adult Education and Literacy Federal Workforce Training - BS 18/19	84.002A	1118ALA000		812
Adult Education and Literacy Federal 223 - BS 18/19	84.002A	1118ALA000		5,787
Adult Education and Literacy Federal El Civics Workforce Training - BS 18/19	84.002A	1118ALA000		2,000
Adult Education and Literacy Federal El Civics - BS 18/19	84.002A	1118ALA000		1,740
Adult Education and Literacy Performance Award (Yr2) - SA 17/18	84.002A	1218PQI000		12,233
Adult Education and Literacy Federal 231 - SA 18/19	84.002A	1218ALA000		248,934
Adult Education and Literacy Federal 225 - SA 18/19	84.002A	1218ALA000		17,894
Adult Education and Literacy Federal Workforce Training - SA 18/19	84.002A	1218ALA000		15,898
Adult Education and Literacy Federal 223 - SA 18/19	84.002A	1218ALA000		5,776
Adult Education and Literacy Federal El Civics - SA 18/19	84.002A	1218ALA000		81,749
Adult Education and Literacy Performance Award (Yr3) - SA 18/19	84.002A	1219PQI001		17,747
Adult Education and Literacy Federal 231 - SA 19/20	84.002A	1218ALAB00		67,086
Adult Education and Literacy Federal 225 - SA 19/20	84.002A	1218ALAB00		4,772
Adult Education and Literacy Federal Workforce Training - SA 19/20	84.002A	1218ALAB00		2,548
Adult Education and Literacy El Civics - SA 19/20	84.002A	1218ALAB00		5,868
Subtotal Texas Workforce Commission				605,998

(continued)

Howard County Junior College District  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Schedule E  
For the Year Ended August 31, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures and Pass-Through Disbursements
Texas Higher Education Coordinating Board				
Annual Perkins 18/19	84.048	194235		146,718
Subtotal Texas Higher Education Coordinating Board				<u>146,718</u>
American Indian Vocational Rehabilitation Services				
American Indians Vocational Rehabilitation Services	84.250			2,655
Subtotal American Indian Vocational Rehabilitation Services				<u>2,655</u>
Total U.S. Department of Education				<u>8,663,092</u>
<b>U.S. Department of Agriculture</b>				
Pass through from:				
Texas Department of Agriculture				
Child & Adult Care Food Program	10.558	806780706		20,651
Soil & Water Conservation SW 18/19	10.902	68-3A75-18-023		6,633
Subtotal Texas Department of Agriculture				<u>27,284</u>
Total U.S. Department of Agriculture				<u>27,284</u>
<b>U.S. Department of Defense</b>				
Direct Programs:				
Goodfellow AFB Scholarship	12.000			2,283
Navy Tuition Assistance	12.000			4,141
Marine Tuition Assistance	12.000			1,277
Total U.S. Department of Defense				<u>7,701</u>
<b>U.S. Department of Labor</b>				
WIOA Cluster				
Pass through from:				
Permian Basin Workforce Development Board				
Workforce Innovation and Opportunity Act - San Angelo	17.258			42,221
Subtotal Permian Basin Workforce Development Board				<u>42,221</u>
Concho Valley Workforce Development Board				
CVWDB Construction Trades SA 17/18	17.258	1218HJT000		46,500
Subtotal Concho Valley Workforce Development Board				<u>46,500</u>
Total WIOA Cluster				<u>88,721</u>
Total U.S. Department of Labor				<u>88,721</u>
<b>National Science Foundation</b>				
Pass through from:				
University of Texas at El Paso				
Alliance for Minority Participation (Year 1) - 18/19	47.076	1826745		646
Subtotal University of Texas at El Paso				<u>646</u>
Total National Science Foundation				<u>646</u>
<b>U.S. Department of Veterans Affairs</b>				
Direct Programs:				
Vocational Rehab for Disabled Veterans - BS	64.116			4,186
Vocational Rehab for Disabled Veterans - SA	64.116			27,542
Subtotal Vocational Rehab for Disabled Veterans				<u>31,728</u>
Post 9/11 Veterans Education Assistance - BS	64.130			53,263
Post 9/11 Veterans Education Assistance - SA	64.130			204,879
Subtotal Post 9/11 Veterans Education Assistance				<u>258,142</u>
Total U.S. Department of Veterans Affairs				<u>289,870</u>

(continued)

Howard County Junior College District  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Schedule E  
 For the Year Ended August 31, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures and Pass-Through Disbursements
<b>U.S. Department of Health and Human Services</b>				
TANF Cluster				
Pass through from:				
Texas Workforce Commission				
Adult Education and Literacy Federal TANF - BS 18/19	93.558	1118ALA000		11,899
Adult Education and Literacy Federal TANF Admin - BS 18/19	93.558	1118ALA000		170
Adult Education and Literacy Federal TANF - SA 18/19	93.558	1218ALA000		33,468
Subtotal Texas Workforce Commission				<u>45,537</u>
Total TANF Cluster				<u>45,537</u>
Greater Opportunities of the Permian Basin				
Headstart Tuition Assistance	93.600			1,243
Subtotal Greater Opportunities of the Permian Basin				<u>1,243</u>
Total U.S. Department of Health and Human Services				<u>46,780</u>
<b>Corporation for National &amp; Community Service</b>				
Direct Programs:				
AmeriCorps	94.006			9,043
Total Corporation for National & Community Service				<u>9,043</u>
Total Expenditures of Federal Awards				<u>\$ 9,133,137</u>

The accompanying notes are an integral part of this schedule.

(continued)

Howard County Junior College District  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
Schedule E  
For the Year Ended August 31, 2019

**Note 1: Financial assistance reconciliation**

Federal revenues per Schedule A:	
Federal grants and contracts	\$ 1,743,457
Add: Non-operating federal revenue from Schedule C	5,039,650
Add: Direct student loans	<u>2,350,030</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 9,133,137</u>

**Note 2: Significant accounting policies used in preparing the schedule**

The expenditures included in the schedule are reported for the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that have been expended by the District for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from the amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The District has followed all applicable guidelines issued by various entities in the preparation of the schedule. The District has elected not to use the 10% de minimis cost as permitted in the Uniform Guidance, Section 200.414.

**Note 3: Expenditures not subject to federal single audit**

All federal expenditures reported in the financial statements are subject to a federal single audit.

**Note 4: Nonmonetary federal assistance received**

The District did not receive any nonmonetary federal assistance during the fiscal year.

**Note 5: Amounts passed through by Howard County Junior College District**

The District did not pass through any federal assistance during the fiscal year.

Howard County Junior College District  
SCHEDULE OF EXPENDITURES OF STATE OF TEXAS AWARDS  
Schedule F  
For the Year Ended August 31, 2019

State Grantor/Program Title	Contract/ Award Number	Expenditures
<b>Texas Higher Education Coordinating Board</b>		
Texas Education Opportunity Grant – Initial 18/19		\$ 165,374
Texas Education Opportunity Grant – Returning 18/19		38,587
Total TEOG		<u>203,961</u>
Professional Nursing Shortage (Under 70) 16/17		38,289
Professional Nursing Shortage (Regular Program) 18/19		27,862
Professional Nursing Shortage (Under 70) 18/19		12,938
Texas College Work Study Program 18/19		4,223
Total Texas Higher Education Coordinating Board		<u>287,273</u>
<b>Department of Assistive and Rehabilitative Services</b>		
DARS-Howard College BS		15,815
DARS-Howard College SA		41,317
DARS-SWCID		59,997
Total Department of Assistive and Rehabilitative Services		<u>117,129</u>
<b>Texas Military Preparedness Commission</b>		
Office of the Governor		
Defense Economic Adjustment Assistance Grant (DEAAG) SA 17/18		260,299
Total Office of the Governor		<u>260,299</u>
<b>Texas Workforce Commission</b>		
Adult Education and Literacy State - BS 18/19	1118ALA000	19,884
Adult Education and Literacy State Admin - BS 18/19	1118ALA000	483
Adult Education and Literacy State - SA 18/19	1218ALA000	64,709
Adult Education and Literacy Skills for Small Business - SA 17/18	1218SSD000	332
Shannon Medical Skills Development Grant - SA 18/19		112,049
West TX Region 60X30TX-BS 18/19		429
Total Texas Workforce Commission		<u>197,886</u>
<b>The University of Texas at Austin</b>		
Accelerating Math Pathways 18/19		1,437
Total The University of Texas at Austin		<u>1,437</u>
<b>Texas Department of Transportation</b>		
Texas Department of Transportation		608
Total Texas Department of Transportation		<u>608</u>
<b>Total State of Texas Financial Assistance</b>		<u><u>\$ 864,632</u></u>

The accompanying notes are an integral part of this schedule.

(continued)

Howard County Junior College District  
 SCHEDULE OF EXPENDITURES OF STATE OF TEXAS AWARDS - CONTINUED  
 Schedule F  
 For the Year Ended August 31, 2019

**Note 1: State assistance reconciliation**

State Revenues – Per Schedule A:	
State of Texas Financial Assistance	
Per Schedule of Expenditures of State of Texas Awards	\$ 864,632
State Financial Assistance	
State appropriated funds not included in Schedule A	
Professional Nursing Shortage Reduction	(79,089)
State aid from other states not included as State of Texas financial assistance	
Vocational Rehabilitation – SW	<u>131,068</u>
Total State Grants and Contracts Revenues per Schedule A	<u>\$ 916,611</u>

**Note 2: Significant accounting policies used in preparing the schedule**

The accompanying schedule is presented using the accrual basis of accounting. See Note 2 to the financial statements for the District’s significant accounting policies. These expenditures are reported on the District’s fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees  
Howard County Junior College District  
Big Spring, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Howard County Junior College District (the District) as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 19, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Logan, Thomas + Johnson, LLC*

Broomfield, Colorado  
February 19, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

The Board of Trustees  
Howard County Junior College District  
Big Spring, Texas

**Report on Compliance for Each Major Federal and State Program**

We have audited Howard County Junior College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs and the requirements in the grant documents that could have a direct and material effect on each of the District's major State of Texas programs for the year ended August 31, 2019. The District's major federal and State of Texas programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the federal and State of Texas statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and State of Texas programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal and State of Texas programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State of Texas *Uniform Grant Management Standards* (UGMS). Those standards, the Uniform Guidance, and the UGMS require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or State of Texas program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and State of Texas program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal and State of Texas Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and State of Texas programs for the year ended August 31, 2019.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and State of Texas program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and State of Texas program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or State of Texas program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or State of Texas program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the UGMS. Accordingly, this report is not suitable for any other purpose.

*Logan, Thomas + Johnson, LLC*

Broomfield, Colorado  
February 19, 2020

Howard County Junior College District  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended August 31, 2019

**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_ yes X no
- Significant deficiency(ies) identified? \_\_ yes X none reported

Noncompliance material to financial statements noted? \_\_ yes X no

*Federal and State of Texas Awards*

Internal control over major federal and State of Texas programs:

- Material weakness(es) identified? \_\_ yes X no
- Significant deficiency(ies) identified? \_\_ yes X none reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_ yes X no

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance or UGMS? \_\_ yes X no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.033, 84.268, 84.007, 84.063	U.S. Department of Education, Student Financial Aid Programs

Identification of major State of Texas programs:

<u>Contract Number</u>	<u>Name of State of Texas Program</u>
N/A	Texas Education Opportunity Grant
N/A	Defense Economic Adjustment Assistance Grant

Dollar threshold used to distinguish between type A and type B federal programs: \$ 750,000  
 Dollar threshold used to distinguish between type A and type B state programs: \$ 300,000

Auditee qualified as low-risk auditee? \_\_ yes X no

Howard County Junior College District  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED  
For the Year Ended August 31, 2019

**Section II – Financial Statement Findings**

No matters were reported.

**Section III – Federal and State of Texas Award Findings and Questioned Costs**

No matters were reported.

Howard County Junior College District  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended August 31, 2019

**Finding 2018-001 – Accounts Payable Cut Off**

Criteria or specific requirement:	Internal controls should exist to ensure that there is a proper cut off in recording accounts payable so that transactions are recorded in the correct financial statement period.
Condition:	One invoice tested at year end was not recorded in the proper accounting period.
Status:	Corrected.

**Finding 2018-002 – Capital Asset Additions**

Criteria or specific requirement:	Internal controls should exist to ensure that additions to capital assets adhere to generally accepted accounting principles.
Condition:	There were several additions to capital assets that were for items that should have been expensed during the fiscal year.
Status:	Corrected.